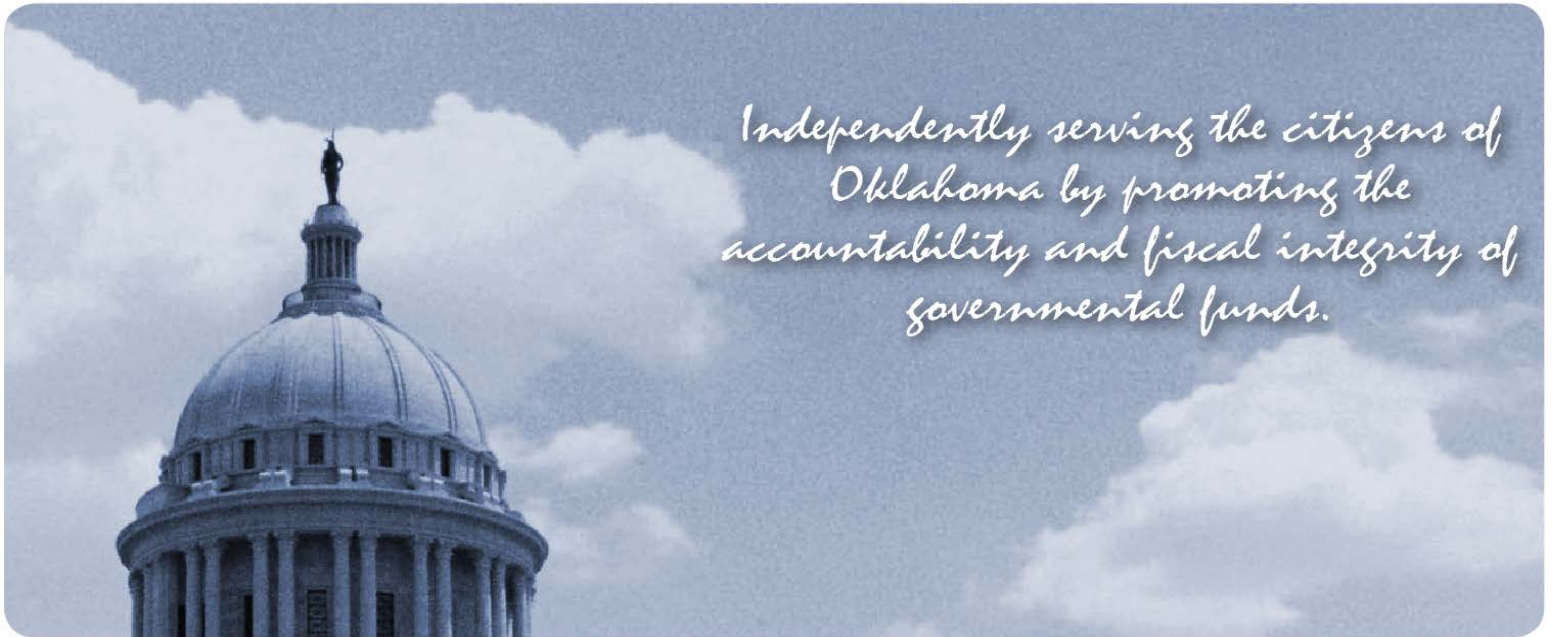


OPERATIONAL AUDIT

# LATIMER COUNTY

For the fiscal year ended June 30, 2016



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**LATIMER COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

March 8, 2018

**TO THE CITIZENS OF  
LATIMER COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Latimer County for the fiscal year ended June 30, 2016.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**LATIMER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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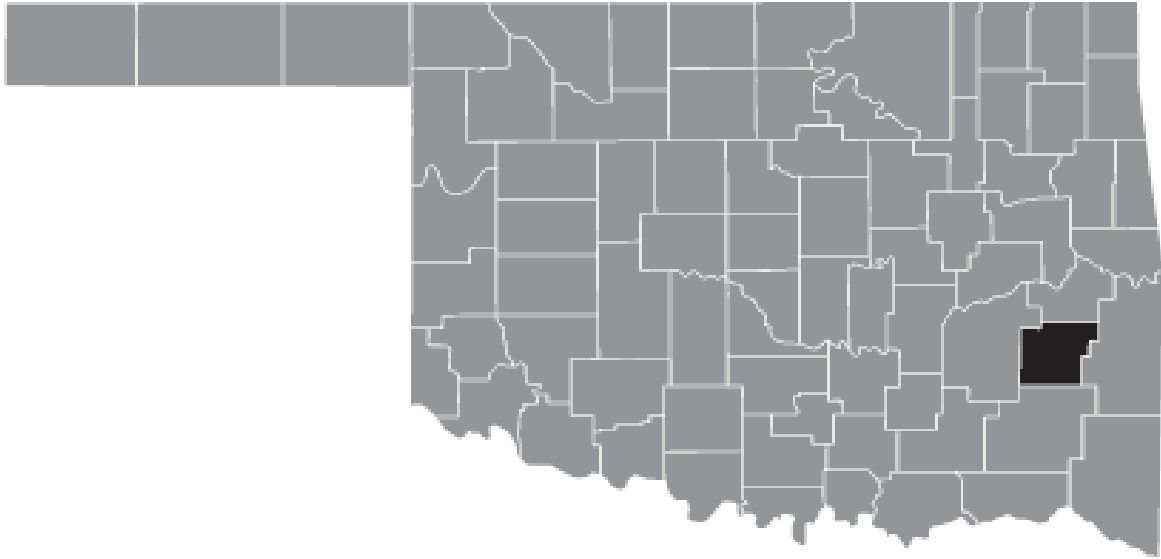
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**LATIMER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Located in the mountains of southeastern Oklahoma, Latimer County was created at state-hood and named for James S. Latimer, a member of the Oklahoma Constitutional Convention.

The Butterfield Overland Mail Route, extending from St. Louis to San Francisco, cut through the county at four stops which are now open to visitors. During the Civil War, outlaws roamed the area, and in 1875, Isaac Parker, a federal judge at Fort Smith, Arkansas, became known as the “hanging judge,” because of his efforts to restore order.

A coal boom in 1870 brought a great influx of people, and by 1907 many people had settled in Wilburton. A tragic explosion in 1926 forced the mines to close and since that time cattle raising and agriculture have become the principle ways of life.

Wilburton, the county seat, is the home of industry as well as Eastern Oklahoma State College, which began in 1908 as the Oklahoma School of Mines. Latimer County has five reservoirs and is rich in minerals as well as forests, ranch land, and recreational opportunities.

For more county information, call the county clerk’s office at 918/465-3543 or the chamber of commerce at 918/465-2759.

County Seat – Wilburton

Area – 729.12 Square Miles

County Population – 10,693  
(2014 est.)

Farms – 691

Land in Farms – 220,552 Acres

Primary Source: Oklahoma Almanac 2015-2016

**LATIMER COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Board of County Commissioners**

District 1 – Jeremy Bullard  
District 2 – John Medders  
District 3 – Janet Barrow

**County Assessor**

Chris Church

**County Clerk**

Erin Adams

**County Sheriff**

Jesse James

**County Treasurer**

DeLana Moon

**Court Clerk**

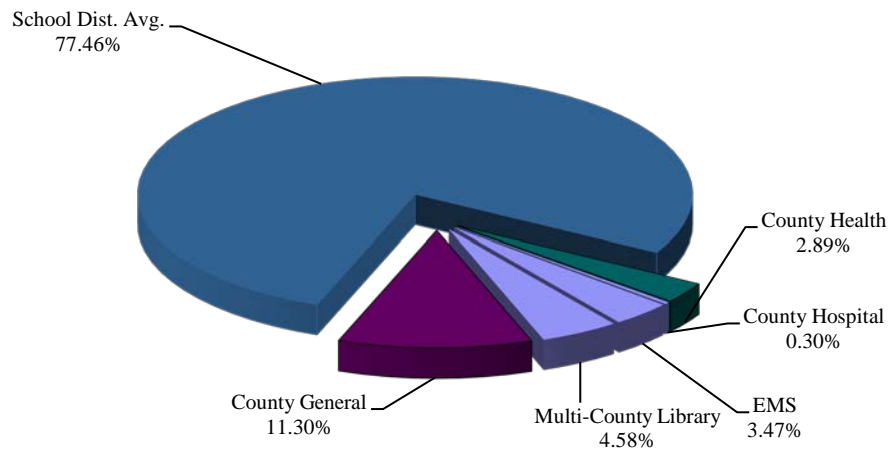
Melinda Brinlee

**District Attorney**

Jeffrey C. Smith

**LATIMER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech.	Common	Total
County General	9.96								
County Health	2.55	Wilburton	I-1	35.49	5.07	23.83	12.28	4.09	80.76
County Hospital	0.26	Red Oak - Latimer	I-2	35.65	5.09	20.50	12.28	4.09	77.61
EMS	3.06	Buffalo Valley	I-3	36.31	5.19	10.26	12.28	4.09	68.13
Multi-County Library	4.04	Panola	I-4	36.19	5.17	16.56	12.28	4.09	74.29
		LeFlore	J-16	36.87	5.27	18.35	12.28	4.09	76.86
		Fanshawe	J-39	39.86	5.69	6.73	12.28	4.09	68.65
		Talihina	J-52	36.10	6.10	-	12.28	4.09	58.57
		Albion	JD-2	37.57	5.37	10.77	12.28	4.09	70.08
		Tuskahoma	JD-4	35.04	5.01	-	12.28	4.09	56.42
		Hartshorne	JI-1	36.71	5.24	-	12.28	4.09	58.32
		Crowder	JI-28	35.00	5.00	5.20	12.28	4.09	61.57



**LATIMER COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## **Sales Tax**

### **Sales Tax of March 5, 2013**

The voters of Latimer County approved the following continuation of existing sales tax on March 5, 2013:

- A continuation of the sales tax of 1/2 cent for the sole benefit of general government for a period of five (5) years.
- A continuation of the sales tax of 3/4 cent for the sole benefit of the Latimer County Hospital for a period of five (5) years.
- A continuation of the sales tax of 1/4 cent for the sole benefit to continue the maintenance and operation of a solid waste system for a period of five (5) years.

### **Sales Tax of June 24, 2014**

The voters of Latimer County approved the following amendment of an existing sales tax on June 24, 2014:

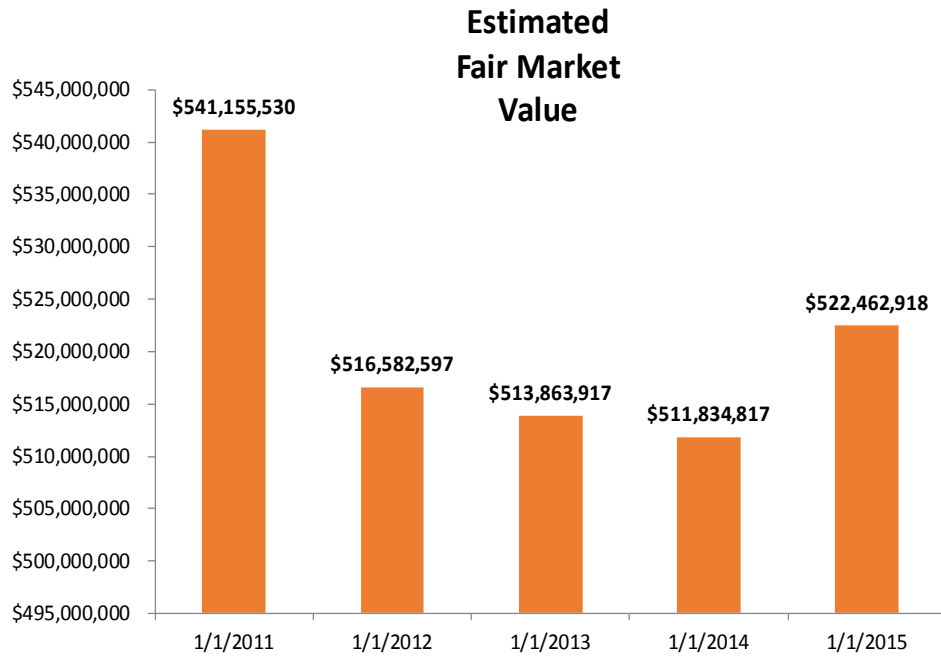
- An amendment of the sales tax order of said County which provides for the levy and collection of a one percent (1%) sales tax on certain sales providing that the purpose of said sales tax shall be to operate, maintain, equip, and improve the Latimer County Hospital and to retire indebtedness incurred for that purpose, to replace the present three-fourths percent (3/4%) sales tax for the said Hospital; providing that said one (1%) sales tax shall continue to be levied so long as the Latimer County Hospital Trust Authority remains in effect; fixing effective date; making provisions cumulative; and providing severability of provisions.

These funds are accounted for in the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds in the Sales Tax Cash fund.

During the fiscal year, the County collected \$1,120,195 in total sales tax.

**LATIMER COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
TREND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$23,443,626	\$12,776,891	\$25,996,352	\$2,729,808	\$59,487,061	\$522,462,918
1/1/2014	\$23,682,220	\$12,265,062	\$24,789,654	\$2,685,382	\$58,051,554	\$511,834,817
1/1/2013	\$22,654,603	\$16,913,479	\$23,889,408	\$2,746,517	\$60,710,973	\$513,863,917
1/1/2012	\$23,818,476	\$16,863,532	\$22,914,844	\$2,765,593	\$60,831,259	\$516,582,597
1/1/2011	\$26,568,958	\$17,479,696	\$22,284,458	\$2,724,015	\$63,609,097	\$541,155,530

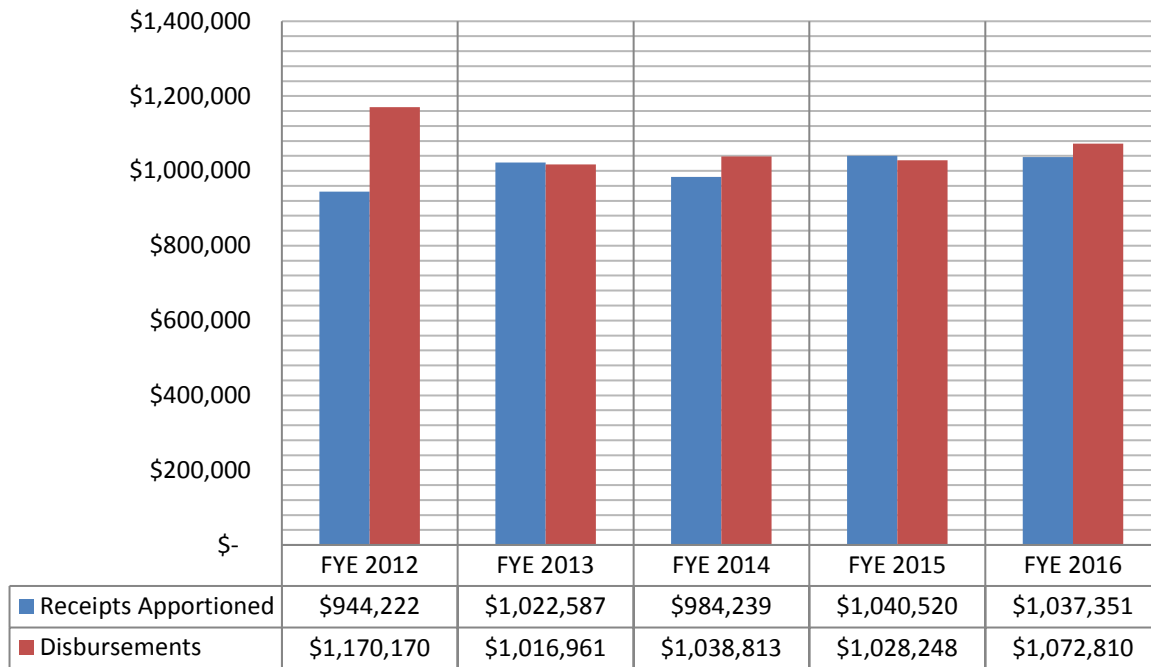


**LATIMER COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

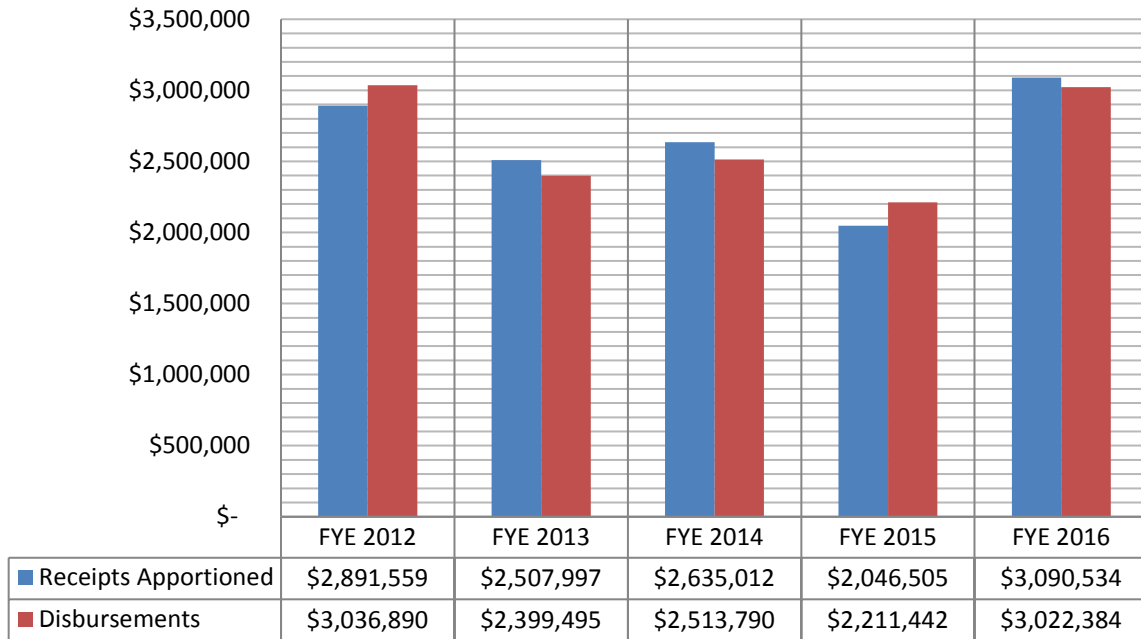


**LATIMER COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**LATIMER COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County Funds:						
County General	\$ 360,102	\$ 1,037,351	\$ -	\$ -	\$ 1,072,810	\$ 324,643
County Highway	2,799,326	3,090,534	-	-	3,022,384	2,867,476
County Health	159,936	151,868	-	-	147,357	164,447
Sheriff Cash	44,949	115,184	4,912	-	123,223	41,822
Sales Tax Cash	823,324	1,130,902	55	4,912	1,004,741	944,628
Solid Waste Cash	596,904	412,765	-	-	446,509	563,160
E-911 Cash	12,162	145,404	-	-	148,367	9,199
County Sinking	11	-	-	-	-	11
Civil Defense	101	35,603	-	55	33,344	2,305
County Clerk Cash	35,820	8,506	-	-	9,268	35,058
County Treasurer Cash	9,812	1,323	-	-	1,274	9,861
Department of Corrections Cash	14,640	12,312	-	-	12,887	14,065
Drug Buy Cash	480	-	-	-	140	340
County Assessor Cash	2,502	5,611	-	-	7,107	1,006
County Insurance	1,974	6,068	-	-	5,725	2,317
REAP Grant	-	171,530	-	-	171,530	0
County Treasurer Resale Property	81,504	43,386	-	-	58,069	66,821
RM&P Cash	74,471	12,525	-	-	8,902	78,094
Flood Plain Cash	6,343	200	-	-	-	6,543
OLETS Cash	594	2,792	-	-	2,100	1,286
Jail Bond Cash	7,717	9,095	-	-	11,763	5,049
Tourism Trust Authority	48,565	55,021	-	-	48,795	54,791
County Extension Agent Cash	11,744	500	-	-	4,227	8,017
Free Fair Cash Account	926	2,469	-	-	1,121	2,274
Court Clerk Payroll	19,847	67,626	-	-	72,293	15,180
CDBG -1020	-	6,584	-	-	6,584	0
Sheriff Commissary	-	686	-	-	42	644
<b>Combined Total - All County Funds</b>	<b>\$ 5,113,754</b>	<b>\$ 6,525,845</b>	<b>\$ 4,967</b>	<b>\$ 4,967</b>	<b>\$ 6,420,562</b>	<b>\$ 5,219,037</b>

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**LATIMER COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Description of County Funds**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

County General – accounts for ad valorem, officers’ fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

County Highway – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues. Disbursements are for the operation of the county health department.

Sheriff Cash – accounts for the collection and disbursement of Sheriff process service fees as restricted by state statute.

Sales Tax Cash – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution, to be used for general government, hospital, and solid waste purposes.

Solid Waste Cash – accounts for the collection of fees for the services provided by solid waste and disbursed for operation of Latimer County Solid Waste.

E-911 Cash – accounts for monies received from private telephone companies to be used for the operations of emergency 911 services.

County Sinking – accounts for the debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

County Clerk Cash – accounts for lien collections and disbursements as restricted by state statute.

County Treasurer Cash – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by state statute.

**LATIMER COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Department of Corrections Cash – accounts for monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners. Disbursements of funds are for jail operating expenses.

Drug Buy Cash – accounts for the monies received from the District Attorney to enable the Sheriff to carry out undercover drug investigations.

County Assessor Cash – accounts for the collection of fees for copies and the disbursement of funds as restricted by state statute.

County Insurance – accounts for monies received from insurance companies for damages to county property.

REAP Grant – accounts for state grant funds received for various projects.

County Treasurer Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by state statute.

RM&P Cash – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for the preservation of records.

Flood Plain Cash – accounts for the collection from the sale of permits and disbursed for maintenance and operation of the emergency management office.

OLETS Cash – accounts for fees charged to local law enforcement agencies for dispatch services. These funds are used to help offset monthly Oklahoma Law Enforcement Telecommunications System (OLETS) fees and the maintenance and operation of the Sheriff's office.

Jail Bond Cash – accounts for bond fees charged to inmates and is used for the operation of the Sheriff's office.

Tourism Trust Authority – accounts for the excise tax collected on lodging to be used for the promotion and development of tourism and recreational activities for Latimer County.

County Extension Agent Cash – accounts for the collection of donations and disbursed for the operations of the county extension office.

Free Fair Cash Account – accounts the collection of donations to be used for the maintenance and operation of the fairground.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk's office.

**LATIMER COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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CDBG-1020 – accounts for federal funds received to fund the improvements made to Fourche Maline Bridge.

Sheriff Commissary – accounts for monies received from the commissary sales and disbursement of funds for commissary and jail operating expenses.

**Transfers**

During the fiscal year, the County made the following transfers between cash funds:

- \$4,912 from the Sales Tax Cash fund to the Sheriff Cash fund to meet payroll obligations.
- \$55 from the Civil Defense fund to the Sales Tax Cash fund for repayment of a loan.



**LATIMER COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 360,102	\$ 360,102	\$ -
Less: Prior Year Encumbrances	(8,981)	(7,491)	1,490
Beginning Cash Balances, Budgetary Basis	351,121	352,611	1,490
Receipts:			
Ad Valorem Taxes	538,629	583,256	44,627
Charges for Services	56,500	181,788	125,288
Intergovernmental Revenues	234,190	264,173	29,983
Miscellaneous Revenues	7,000	8,134	1,134
Total Receipts, Budgetary Basis	836,319	1,037,351	201,032
Expenditures:			
County Sheriff	374,085	365,661	8,424
County Treasurer	88,512	86,820	1,692
County Commissioners OSU Extension	518	241	277
County Clerk	120,714	119,186	1,528
Court Clerk	53,714	53,714	-
County Assessor	65,364	57,380	7,984
Revaluation	193,545	191,050	2,495
General Government	235,544	148,530	87,014
Excise Equalization	6,000	5,403	597
County Election Expense	26,693	26,653	40
Recording Account	1,000	965	35
County Audit Budget Account	21,751	21,751	-
Total Expenditures, Budgetary Basis	1,187,440	1,077,354	110,086
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	312,608	\$ 312,608
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,490	
Add: Current Year Encumbrances		10,545	
Ending Cash Balance		\$ 324,643	

*Source: County Estimate of Needs (presented for informational purposes)*

**LATIMER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY HEALTH DEPARTMENT FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 159,936	\$ 159,936	\$ -
Beginning Cash Balances, Budgetary Basis	159,936	159,936	-
Receipts:			
Ad Valorem Taxes	137,902	149,328	11,426
Charges for Services	110	2,540	2,430
Total Receipts, Budgetary Basis	138,012	151,868	13,856
Expenditures:			
County Health Budget Account	297,948	162,282	135,666
Total Expenditures, Budgetary Basis	297,948	162,282	135,666
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	149,522	\$ 149,522
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		14,925	
Ending Cash Balance		\$ 164,447	

**LATIMER COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2016. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

**LATIMER COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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<b>Objective 1:</b>	<b>To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016.</b>
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**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

<b>FINDINGS AND RECOMMENDATIONS</b>
-------------------------------------

**Finding 2016-001 – Inadequate Internal Controls Over Monthly Reports - County Treasurer (Repeat Finding)**

**Condition:** Upon inquiry, observation, and review of documentation, the following was noted:

- Monthly reports were not reviewed and approved by someone other than the preparer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve controls over the County Treasurer's monthly reports, we recommend the following:

- Monthly reports should be reviewed by someone other than the preparer.

**Management Response:**

**County Treasurer:** Since the audit, I have implemented procedures requiring one of my deputies to review the monthly report after completion. The monthly report retained in the office, as well as the one that I send in, is being initialed by the deputy that has reviewed it.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized

**LATIMER COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds monthly reports should be reviewed and approved by someone other than the preparer.

**Objective 2:** To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated; however, internal controls regarding the apportionment of sales tax collections should be strengthened.

### **FINDINGS AND RECOMMENDATIONS**

**Finding 2016-002 – Inadequate Internal Controls Over Apportionment of Sales Tax (Repeat Finding)**

**Condition:** Upon inquiry and observation, and review of documentation regarding the process of apportioning sales tax collections and the disbursing of sales tax funds, the following was noted:

- The calculation of sales tax collections performed and apportioned by the County Treasurer is not reviewed or approved, by someone other than the preparer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review the sales tax apportionment to ensure the collections are accurately appropriated to designated funds.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, and noncompliance with state statute.

**Recommendation:** OSAI recommends that procedures be designed and implemented to review the calculation of the sales tax apportionment and appropriation to ensure collections are distributed in accordance with the sales tax ballots.

**Management Response:**

**Chairman Board of County Commissioners:** I will address the issue of having another staff member of the County Treasurer's office reviewing and initialing the collecting and distribution of sales tax at each quarterly meeting to ensure the proper procedure is being done.

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**County Treasurer:** I will have my first deputy check the sales tax collections to make sure that I have apportioned them correctly. I will also have her initial the report from the Oklahoma Tax Commission (OTC) showing that she has checked my collections.

**County Clerk:** I will implement a calculation review of the sales tax apportionments and verify that the distributions are correct.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure the proper appropriation of sales tax collections, a recalculation of the apportionment and appropriation should be performed and documented.

**Objective 3:** To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Objective 4:** To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

**Conclusion:** The County's internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County's financial operations complied with 19 O.S. § 1505, which requires that disbursements be timely encumbered, properly supported and charged to the appropriate fund and account.

## FINDINGS AND RECOMMENDATIONS

### **Finding 2016-003 – Inadequate Segregation of Duties Over Payroll Process (Repeat Finding)**

**Condition:** The Payroll Clerk enrolls new employees, inputs payroll information into the system, and prepares the state and federal tax reports. In addition, the Payroll Clerk processes the payroll claims, prints and reviews payroll verification reports for errors, and prints payroll warrants.

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**Cause of Condition:** Policies and procedures have not been designed with regards to segregation of duties and/or compensating controls of the payroll process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**Management Response:**

**County Clerk:** At the present time, I verify all payroll timesheets and hours before payroll is completed; however, I will implement changes in verifying new employee entries, including payroll information. I will also implement verification checks with all payroll reports and help verify any errors, and initial and verify payroll warrants when printed.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**Finding 2016-004 – Inadequate Segregation of Duties Over Disbursements Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County's purchasing process, it was noted that the Purchasing Deputy prepares purchase orders, encumbers purchase orders, prepares the warrants, maintains ledgers, and distributes checks.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating controls of the purchase process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

**LATIMER COUNTY  
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**Management Response:**

**County Clerk:** In my office, I only have two (2) other employees besides myself. I will implement the corrective procedures to correct this finding by verifying the encumbered purchases as well as the warrants printed.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

**All Objectives:**

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

**Finding 2016-005 - Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed to address risks of the County.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**Chairman, Board of County Commissioners:** During the Official's quarterly meetings, I will address all fiscal year audit findings for all Latimer County Departments and ensure the proper policies and procedures have been designed to address risks of the County.

**County Clerk:** Along with the Chairman, I will begin to specify the audit findings, per department and what the actions will be taken to correct them. Policies and procedures will also be addressed at the Quarterly Meetings.



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**County Treasurer:** We have implemented quarterly meetings to discuss any problems or concerns that we may have including the audit findings. I have also begun to provide the BOCC with a monthly report showing the ad valorem collections for the month.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

**Finding 2016-006 – Inadequate Internal Controls Over Information Technology – County Treasurer (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Treasurer's office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition has been sanitized to protect the County Pursuant to the provision of 51 O.S. § 24A.28.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

**Effect of Condition:** This condition could result in compromised security for computers, computer programs, and data.

**Recommendation:** OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Management Response:**

**County Treasurer:** I will try to initiate procedures to correct the condition. The specifics of the management response has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

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March 8, 2017

Latimer County  
Board of County Commissioners  
Latimer County Courthouse  
Wilburton, Oklahoma 74578

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2016:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Latimer County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

March 6, 2018

**LATIMER COUNTY, OKLAHOMA  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-008 – Inadequate Segregation of Duties for Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation of the receipting and expenditure processes, the following was noted:

- The Court Clerk performs all of the duties pertaining to District Court Fund including the following:
  - Issues receipts.
  - Prepares deposit.
  - Opens mail.
  - Prepares reconciliation with County Treasurer.
  - Prepares reports without review or approval of someone other than preparer.
- The Court Clerk performs all of the duties pertaining to Court Clerk Court Fund and Court Clerk Revolving Fund expenditures including the following:
  - Requisitions.
  - Prepares claims.
  - Verifies goods/services were received.
  - Approves claims for payment.
  - Registers vouchers with County Treasurer.
  - Disburses voucher to vendor.
  - Prepares reconciliation with Treasurer.
  - Prepares reports without review or approval of someone other than preparer.

**Cause of Condition:** Since the Court Clerk is ultimately responsible for the Court Clerk Court Fund and Court Clerk Revolving Fund, she feels it is her responsibility to solely perform the related duties.

**Effect of Condition:** This condition could result in unrecorded transactions, undeleted errors, misstated financial statements, or misappropriations of funds.

**Recommendation:** OSAI recommends that procedures be developed to separate key functions of the receipting and expenditure processes for District Court, Court Fund, and Court Clerk Revolving Fund. In the event that segregation of duties are not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

**Management Response:**

**Court Clerk:** I have been giving my deputies more duties in the financial area of my office. Due to very limited "down" time it is a very slow process, but I am hoping to have this finding corrected by my next audit.

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**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds. To help ensure a proper accounting of funds, the duties of issuing receipts, preparing deposits, preparing claims, approving claims, preparing vouchers, signing vouchers, and reconciliation of the accounts should be segregated.

**Finding 2016-009 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Regarding the Inmate Trust Fund Checking Account, the following weaknesses were noted:

- One employee performs all of the daily activity in the Inmate Trust Fund Checking Account such as issuing receipts, preparing deposit slips, posting payments to inmate records, and issuing checks. In addition, this employee has custody of the bank statements.
- The Inmate Trust Fund Checking Account balance is not reconciled to the total of inmates' balances.
- Deposits are not made daily.
- Detail listing of outstanding checks is not maintained with the bank reconciliation.
- Two signatures on checks were not obtained for approval of disbursement.

Further, the Sheriff does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in misappropriation of funds, inaccurate records, and incomplete information.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions. OSAI recommends that checks require two authorized signatures and restrict any employee with check printing capabilities from being authorized signers of the account.

OSAI recommends the following:

- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month, with documentation that the reconciliation was reviewed and approved by someone other than the preparer.
- All collections be deposited daily.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531. Also, all check should have two signatures approving the expenditure.

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- The Sheriff should file a report of the commissary with the County Commissioners by January 15th of the fiscal year in accordance with 19 O.S. § 180.43.

**Management Response:**

**County Sheriff:** I have reviewed OSAI's recommendations regarding segregation of duties for future implementation. I will also implement policies and procedures in accordance with state statutes.

**Criteria:** The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. In addition, two authorized signatures should be required on all inmate trust fund account checks and bank reconciliations should be performed each month. -Additionally, all reconciliations should be reviewed and approved by someone other than the preparer.

Title 19 O.S. § 180.43(D) states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Title 19 O.S. § 531(A) states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account[...]. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."



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