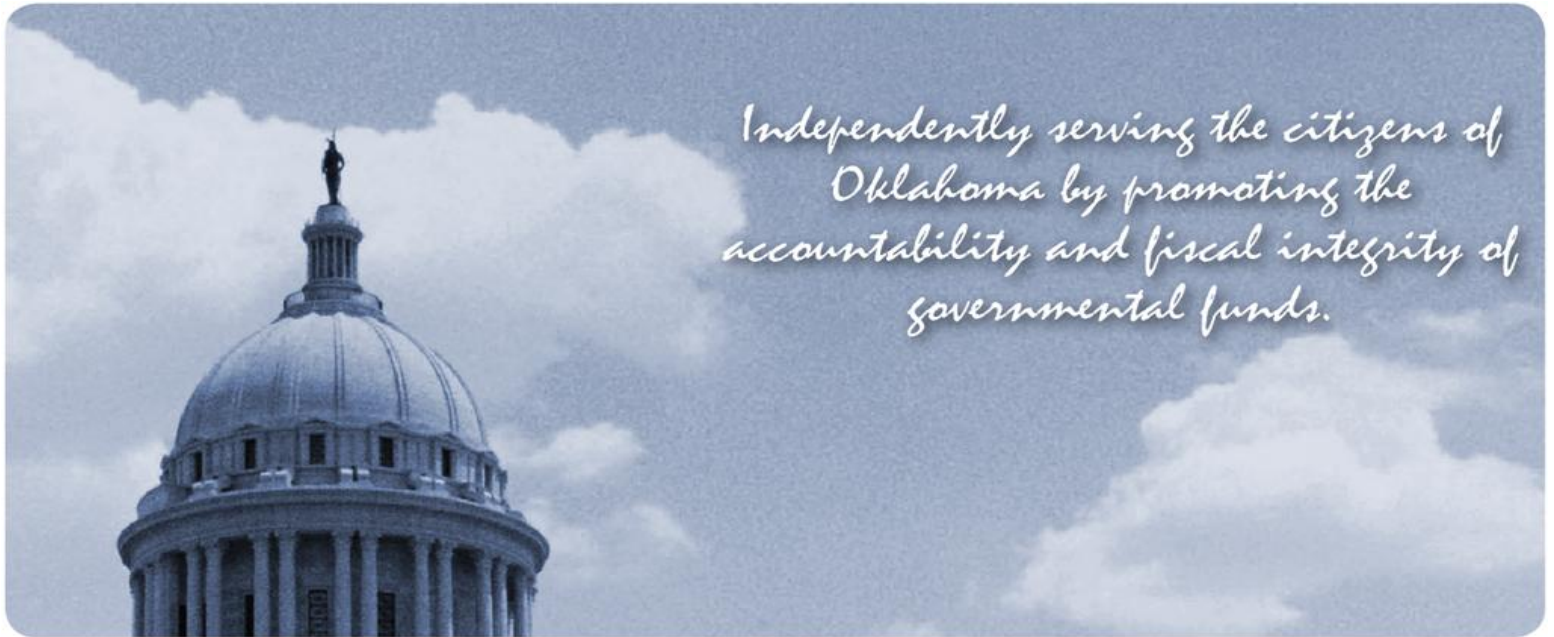


OPERATIONAL AUDIT

LOVE COUNTY

For the fiscal year ended June 30, 2013



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

**LOVE COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

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

December 15, 2015

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

Transmitted herewith is the audit report of Love County for the fiscal year ended June 30, 2013.

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".

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

**LOVE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

TABLE OF CONTENTS

OPERATIONAL AUDIT REPORT

Introductory Section (Unaudited)

Statistical Information.....	ii
County Officials.....	iii
Ad Valorem Tax Distribution	iv
Sales Tax Distribution.....	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2013	1
--	---

Description of County Funds	2
-----------------------------------	---

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund	5
--	---

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	6
--	---

Purpose, Scope, and Sample Methodology.....	7
---	---

Objectives and Results of Operational Audit.....	8
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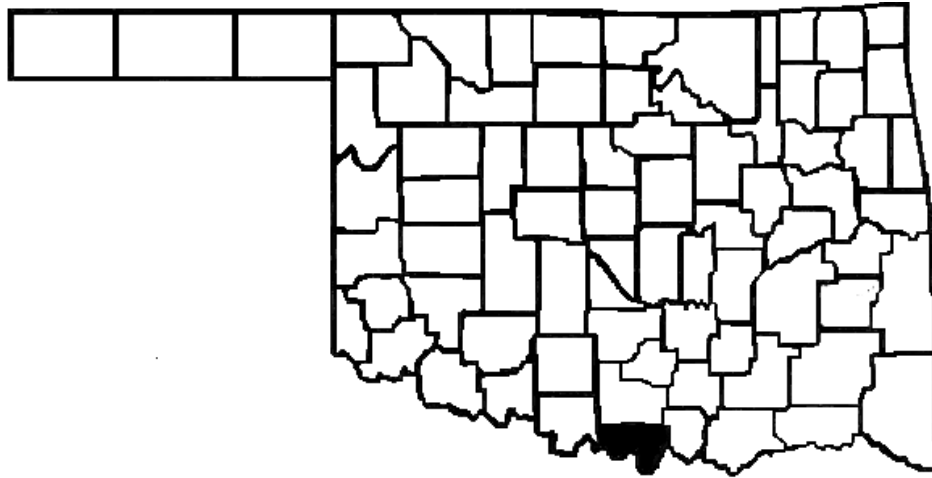
REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	15
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Schedule of Findings and Responses	16
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INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES ii - ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**LOVE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Originally a part of Pickens County, Chickasaw Nation, Love County was named in honor of Overton Love, a prominent judge of the Chickasaws and landowner after the Civil War.

The county seat, according to some, was named Marietta by its first postmaster, Jerry C. Washington, for his wife, Mary, and his sister, Etta. Others contend the town was named for Marietta, Pennsylvania. The county courthouse, built in 1910, was the first courthouse built in Oklahoma after statehood.

Marietta is served by I-35, S.H. 32, and S.H. 77, and the Burlington Northern Santa Fe Railroad. Industries include Oktex Baking, Marietta Sportswear, Robertson Hams, Rapistan Systems, Earth Energy Systems, Dollar Tree, InnovationOne, and the Joe Brown Company. Texaco, Chevron, and Cimarron Transmission manufacture propane, butane, and natural gas. The Marietta Monitor, a weekly newspaper, has been owned and operated by the same family since 1896. Thackerville is home to the Windstar World Casino and Hotel, as well as the Windstar Golf Course.

Several famous horse ranches and cattle ranches are located in the county. The largest early-day ranch was operated by William E. Washington. Agricultural products include pecans, grains, hay, peanuts, and watermelons, while sheep and hogs are also raised.

Love County annually celebrates Frontier Days on the first Friday and Saturday of June. For more information, call the county clerk's office at 590/276-3059

County Seat – Marietta

Area – 531.94 Square Miles

County Population – 9,558
(2012 est.)

Farms – 696

Land in Farms – 261,875 Acres

Primary Source: Oklahoma Almanac 2013-2014

**LOVE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – James Wade
District 2 – Linda Hyman
District 3 – Herschel Bub Perry

County Assessor

Cathy Carlile

County Clerk

Shelly K. Russell

County Sheriff

Joe Russell

County Treasurer

Langdon D. Spivey

Court Clerk

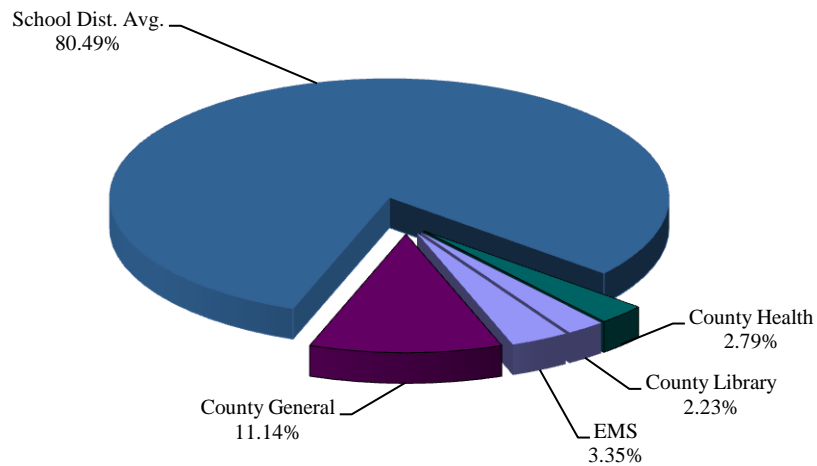
Kim Jackson

District Attorney

Craig Ladd

**LOVE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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							
County General	10.35			Gen.	Bldg.	Skg.	Career Tech	Common	Total
County Health	2.59	Greenville	D-3	36.31	5.19	4.22	15.56	4.14	65.42
County Library	2.07	Thackerville	I-4	36.22	5.17	-	15.56	4.14	61.09
EMS	3.11	Turner	I-5	37.02	5.29	17.02	-	4.14	63.47
		Marietta	I-16	35.70	5.10	17.59	15.56	4.14	78.09
		Ringling	I-14	37.36	5.34	11.38	15.56	4.14	73.78
		Lone Grove	I-32	35.00	5.00	28.97	15.56	4.14	88.67
		Wilson	I-43	36.75	5.25	31.17	15.56	4.14	92.87

**LOVE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sales Tax

Sales Tax of October 9, 2007

The voters of Love County approved a continuation of a one percent (1%) sales tax on October 9, 2007 for the duration of five years commencing on the first day of April 2008. This sales tax expired March 31, 2013 and was renewed on June 26, 2012 to commence on the first day of April 2013. These funds are accounted for in the Sales Tax Revolving fund.

Sales Tax of February 24, 2004

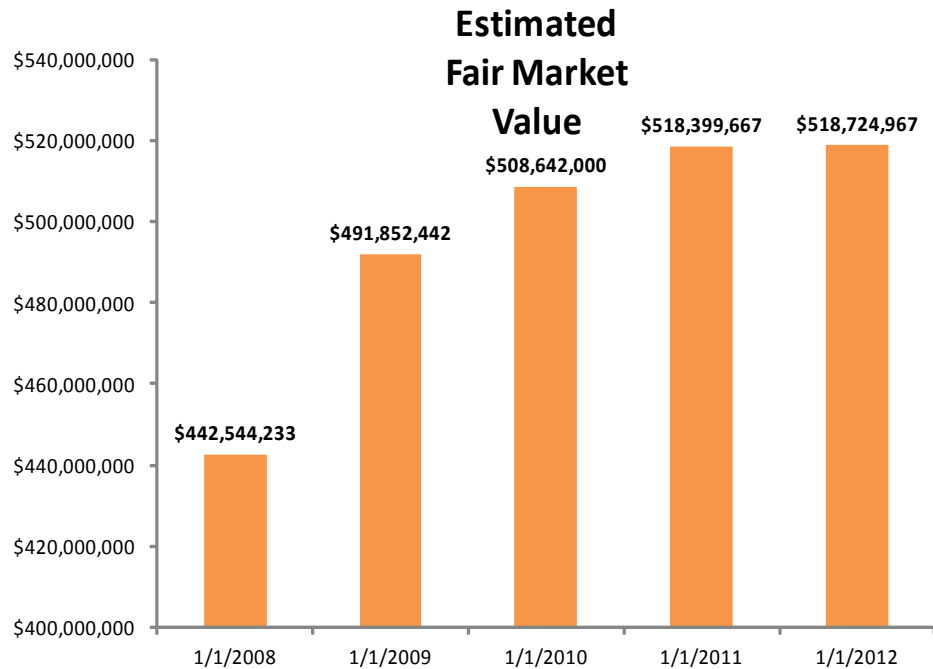
The voters of Love County also approved a new one percent (1%) sales tax on February 24, 2004. This sales tax was established to provide revenue for the equipping, maintaining, and operating of the Love County Health Center. These funds are accounted for in the Sales Tax Revolving fund.

Sales Tax Collections

Revenue Use	Total Collections
5% Ambulance Service	\$53,790
5% Maintenance and Operation of County Senior Citizen Centers and Equipment	\$53,790
10% County Fire Protection - Maintenance of Equipment and Purchase of Equipment and Supplies	\$107,579
5% County OSU Extension Office	\$53,790
5% County Tax Assessor	\$53,790
5% County Clerk	\$53,790
5% County Treasurer	\$53,790
5% County Sheriff	\$53,790
5% County Court Clerk	\$53,790
50% County General Government - Maintenance and Operation of County Property and Operating Expenses	\$537,895
Equipping, Maintaining, and Operating of the Love County Health Center	<u>\$1,075,794</u>
Total Sales Tax Collected	<u>\$2,151,588</u>

**LOVE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

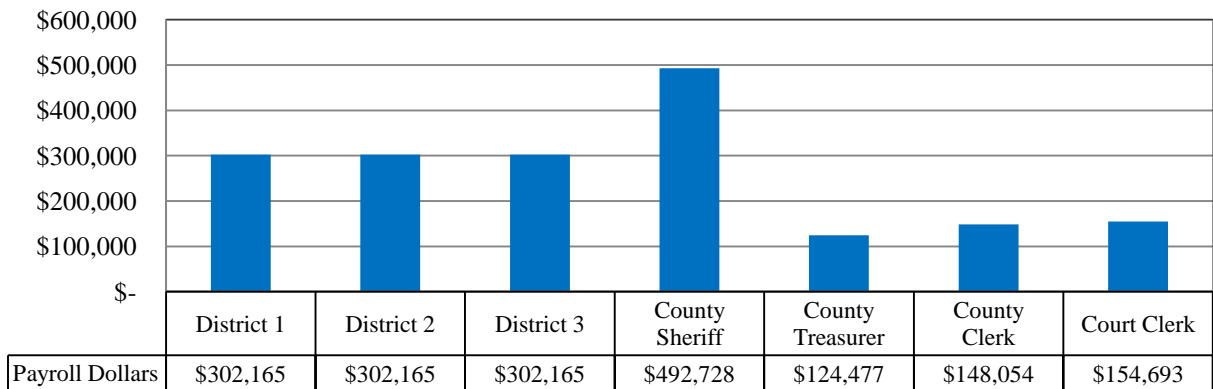
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$12,272,711	\$5,916,252	\$46,730,175	\$2,672,142	\$62,246,996	\$518,724,967
1/1/2011	\$10,143,565	\$6,627,477	\$48,072,309	\$2,635,391	\$62,207,960	\$518,399,667
1/1/2010	\$9,495,632	\$7,146,020	\$47,037,505	\$2,642,117	\$61,037,040	\$508,642,000
1/1/2009	\$9,518,980	\$6,874,257	\$45,253,208	\$2,624,152	\$59,022,293	\$491,852,442
1/1/2008	\$9,281,880	\$6,460,864	\$39,931,071	\$2,568,507	\$53,105,308	\$442,544,233



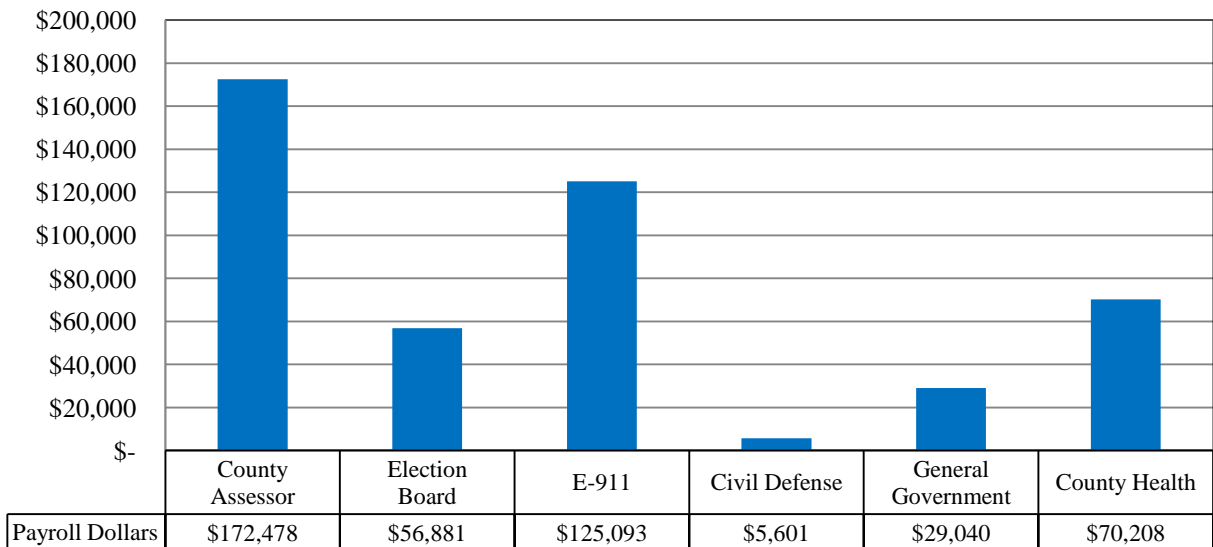
**LOVE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



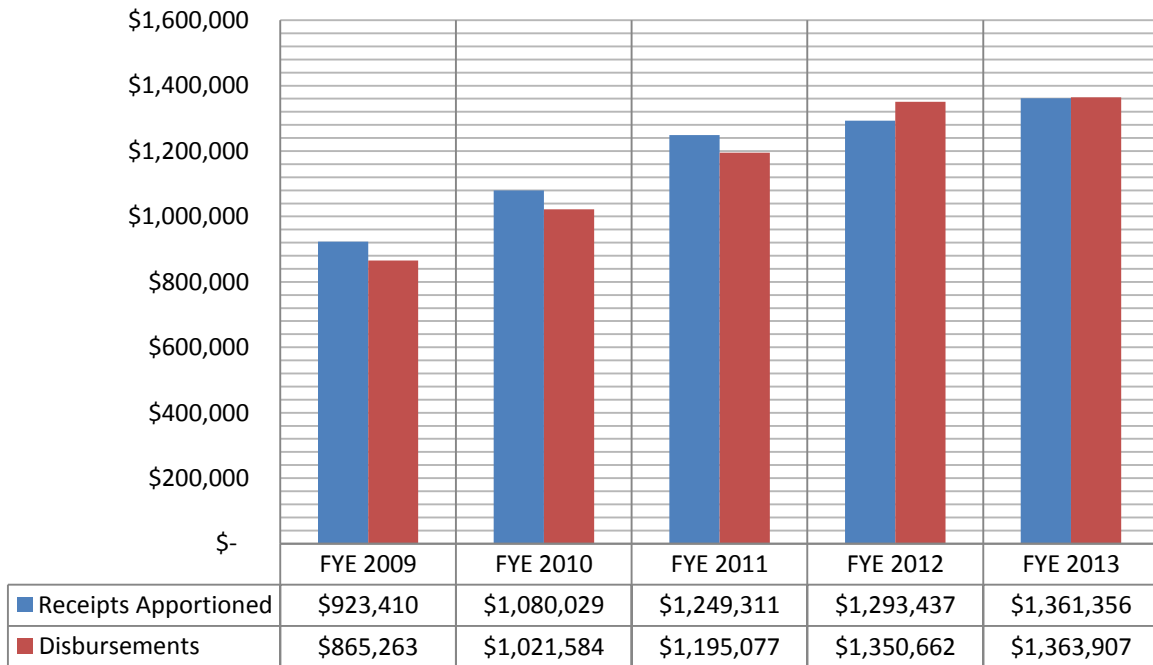
Payroll Expenditures by Department



**LOVE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

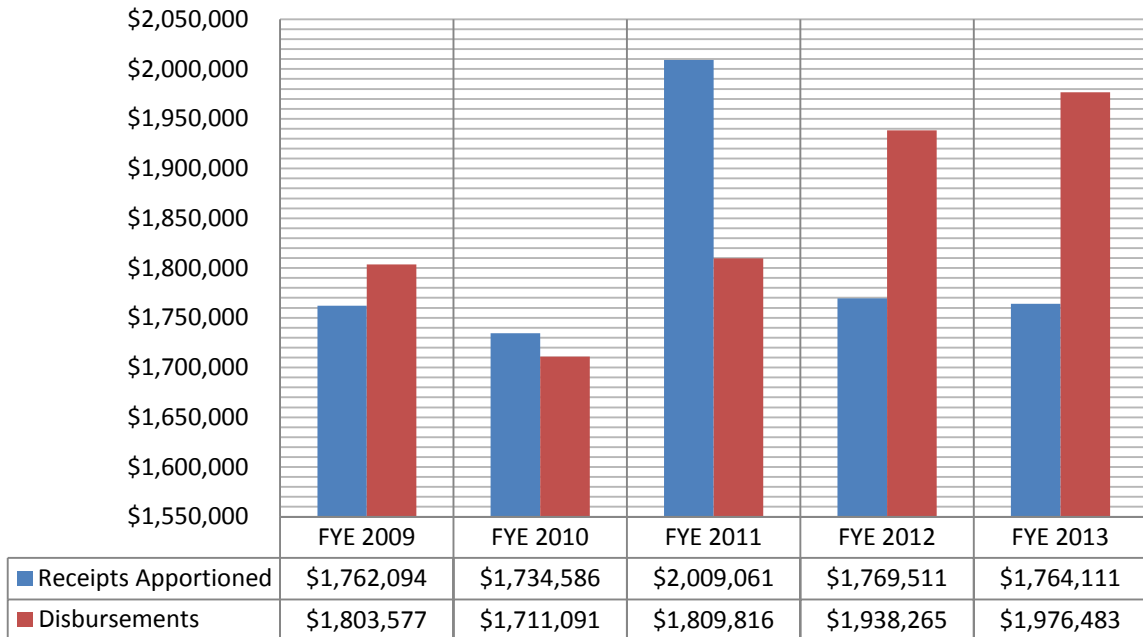
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**LOVE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.



**LOVE COUNTY
OPERATIONAL AUDIT**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 307,409	\$ 1,361,356	\$ 1,363,907	\$ 304,858
Highway Cash Fund	1,345,803	1,764,111	1,976,483	1,133,431
County Health Department	327,957	160,536	118,867	369,626
Resale Property	69,464	59,211	66,659	62,016
Treasurer Mortgage Certification Fees	4,878	1,660	927	5,611
County Clerk Lien Fee	25,314	38,108	32,428	30,994
BDF Sheriff Drug Fund	416	18,768	-	19,184
Sheriff C.O.P.S. Grant	1,386	-	-	1,386
Sheriff DOC Reimbursement	837	10,206	7,488	3,555
Sheriff Computer Grant	8	-	-	8
Educational Building/Jail	1,206	40	-	1,246
Sheriff Service Fee	10,540	114,761	103,468	21,833
General Expenditures/Use Tax	90,578	157,725	85,459	162,844
Assessor Revolving	2,847	5,315	3,313	4,849
Election Board Cash Fund	2,972	-	-	2,972
County Clerk F.M.R.P.	34,897	28,656	37,396	26,157
Sales Tax Revolving	840,520	2,176,310	1,759,723	1,257,107
Child Abuse	269	-	-	269
Love County Health Center Remittance (LCHC)	503,427	100,609	95,000	509,036
Sanders Center Donation	43	-	-	43
CDBG 2006	714	-	-	714
REAP Grant 2012	-	23,920	23,920	-
CBRIN 105 Highway	941,418	236,914	562,527	615,805
REAP Grants II	-	1,241	1,241	-
CREAP 10-109	-	6,580	3,065	3,515
FEMA 1735-DR-OK	1,875	-	1,875	-
10 Home Grant #1340	(46,165)	46,165	-	-
Citizen Corp Cert IJ #8	-	3,258	3,258	-
CDBG 10 #14315	-	169,019	169,019	-
Sheriff Donation	25	26,155	7,305	18,875
E-911 Wireless	114,707	41,432	65,022	91,117
E-911 Land Line	102,177	99,251	113,447	87,981
REAP Grant 2013	-	23,209	23,209	-
Combined Total - All County Funds, As Restated	\$ 4,685,522	\$ 6,674,516	\$ 6,625,006	\$ 4,735,032

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

**LOVE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

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 Fund – accounts for the general operations of the government.

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

County Health Department – 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.

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

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

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

BDF Sheriff Drug Fund – accounts for the collections of the County Sheriff's percentage of drug forfeitures and disbursements as restricted by state statute.

Sheriff C.O.P.S. Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff DOC Reimbursement – accounts for monies received from the Oklahoma Department of Corrections for housing prisoners and disbursements as restricted by state statute.

Sheriff Computer Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Educational Building/Jail – accounts for monies received from donations and disbursed for the construction and maintenance of the jail's multi-purpose room.

**LOVE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

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

General Expenditures/Use Tax – accounts for use tax remitted to the County by the Oklahoma Tax Commission and disbursements are for the general operation of the County.

Assessor Revolving – accounts for the collection of fees for copies as restricted by state statute.

Election Board Cash Fund – accounts for reimbursement of elections and is disbursed for refunds of election fees and maintenance and operation of the office.

County Clerk F.M.R.P. – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

Sales Tax Revolving – accounts for the collection of sales tax revenue to be allocated in accordance with the sales tax resolution.

Child Abuse – accounts for monies received from jurors to aid in the prevention of child abuse.

Love County Health Center Remittance (LCHC) – accounts for monies collected from the state and county sales tax revenue and disbursed for the operation of the Love County Health Center.

Sanders Center Donation – accounts for donations to the Sanders Center and disbursed according to donation request.

CDBG 2006 – accounts for grant funds received and expended for District 1 Wolf Hollow Road Repair, District 2 Bloomer Road Repair, and District 3 County Line Road Repair.

REAP Grant 2012 – accounts for grant funds received and disbursed as restricted by the grant agreement.

CBRIN 105 Highway – accounts for funds received and expended for road and bridge repair.

REAP Grants II – accounts for grant funds received and expended for Enville Volunteer Fire Department for firefighting supplies and equipment.

CREAP 10-109 – accounts for grant funds received and expended for 911 mapping and addressing.

FEMA 1735-DR-OK – accounts for FEMA grant funds received and expended for Storm Shelters.

**LOVE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

10 Home Grant #1340 – accounts for grant funds received and disbursed as restricted by the grant agreement.

Citizen Corp Cert IJ #8 – accounts for grant funds received and disbursed from Homeland Security for citizens’ radios to be used in an emergency – radios were returned due to no participation – grant returned to Homeland Security.

CDBG 10 #14315 – accounts for grant funds received and disbursed for Thackerville RWD #1 for water meters and electronic data collection.

Sheriff Donation – accounts for donations to the Sheriff and disbursed according to donation request.

E-911 Wireless – accounts for the collections of fees imposed on wireless users within the County for the operation of the emergency 911 services.

E-911 Land Line – accounts for monies received from private telephone companies for the operation of the emergency 911 services.

REAP Grant 2013 – accounts for grant funds received and disbursed as restricted by the grant agreement.

Reclassification

Due to the reclassification of funds for fiscal year ending June 30, 2013, the beginning balance as reported is different than the June 30, 2012 ending balance. This difference is due to a fund being reported as a County fund in fiscal year 2012 that should have been classified as a trust and agency fund, and two funds being reported as trust and agency funds in fiscal year 2012 that should have been County funds.

Prior Year Ending Balance, as Reported	\$4,470,962
Less: Sheriff Estray Animal fund reclassified as trust and agency fund	(\$2,324)
Add: 911 Wireless fund reclassified as County Fund	\$114,707
Add: 911 Landline fund reclassified as County Fund	\$102,177
Prior Year Ending Balance, as Restated	<u>\$4,685,522</u>

LOVE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 307,409	\$ 307,409	\$ -
Less: Prior Year Outstanding Warrants	(40,763)	(40,763)	-
Less: Prior Year Encumbrances	(14,204)	(13,607)	597
Beginning Cash Balances, Budgetary Basis	<u>252,442</u>	<u>253,039</u>	<u>597</u>
Receipts:			
Ad Valorem Taxes	585,320	634,425	49,105
Charges for Services	65,550	78,988	13,438
Intergovernmental Revenues	525,312	625,241	99,929
Miscellaneous Revenues	14,963	22,702	7,739
Total Receipts, Budgetary Basis	<u>1,191,145</u>	<u>1,361,356</u>	<u>170,211</u>
Expenditures:			
General Government	123,355	97,184	26,171
District Attorney	13,000	9,158	3,842
County Sheriff	522,010	515,083	6,927
County Treasurer	99,240	90,023	9,217
County Commissioners OSU Extension	30,300	30,300	-
County Clerk	129,960	129,548	412
Couty Assessor	70,200	70,200	-
Revaluation	114,940	111,399	3,541
Court Clerk	38,800	36,250	2,550
Election Board	62,080	60,109	1,971
Excise Board	14,000	3,355	10,645
Extension Agent	100	-	100
Insurance - Benefits	10,538	1,538	9,000
Charity	500	406	94
Civil Defense	17,351	9,801	7,550
Free Fair Budget Account	7,000	6,953	47
Free Fair Improvement	10,000	9,993	7
E-911	150,872	150,588	284
Provision for Interest on Warrants	1,000	-	1,000
State Auditor	28,341	28,341	-
Total Expenditures, Budgetary Basis	<u>1,443,587</u>	<u>1,360,229</u>	<u>83,358</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	254,166	<u>\$ 254,166</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		41,102	
Add: Current Year Encumbrances		9,590	
Ending Cash Balance		<u>\$ 304,858</u>	

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

LOVE 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, 2013

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 327,957	\$ 327,957	\$ -
Less: Prior Year Outstanding Warrants	(6,810)	(6,810)	-
Less: Prior Year Encumbrances	(15,073)	(1,679)	(13,394)
Beginning Cash Balances, Budgetary Basis	306,074	319,468	13,394
Receipts:			
Ad Valorem Taxes	146,471	158,291	11,820
Charges for Services	-	2,102	2,102
Intergovernmental Revenues	11,711	143	(11,568)
Total Receipts, Budgetary Basis	158,182	160,536	2,354
Expenditures:			
County Health Budget Account	464,256	151,891	312,365
Total Expenditures, Budgetary Basis	464,256	151,891	312,365
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	328,113	\$ 328,113
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		39,723	
Add: Current Year Outstanding Warrants		1,790	
Ending Cash Balance		\$ 369,626	

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures,
- 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 limitation 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.

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Objective 1:	To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2013.
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Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances appear to be accurately presented on the County Treasurer's monthly reports. However, we noted an immaterial discrepancy and the internal controls over bank reconciliations should be strengthened.

FINDINGS AND RECOMMENDATIONS

Finding 2013-01 – Inadequate Internal Controls Over Bank Reconciliations

Condition: The Bank Reconciliations are not being signed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented over the reconciliation of bank statements.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the bank reconciliations be signed and approved by someone other than the preparer.

Management Response:

County Treasurer: We will begin to have a reviewer sign the completed reconciliations.

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as preparing receipts for all ad valorem collections with details of parcel number, name, date, and amounts, and reconciling bank balances to the general ledger, and bank reconciliations being signed and approved by someone other than the preparer are deficiencies in internal controls.

Finding 2013-04 – Inadequate Internal Controls Over the County Treasurer's Monthly Reports and General Ledger

Condition: The County received and expended \$18,712.32 for the REAP Grant 2012 fund, however, this amount was not included on the County Treasurer's general ledger or monthly reports.

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed and implemented over the recording of receipts and expenditures.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds. Further, the County's monthly reports are not accurately presented for receipts apportioned, disbursements, and cash balances.

Recommendation: OSAI recommends that funds that are receipted and expended be properly recorded on the general ledger and monthly reports.

Management Response:

County Treasurer: We will make sure all receipts and expenditures are included in the general ledger and monthly reports.

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as revenue received be receipted and apportioned to the proper funds is a deficiency of internal controls.

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.

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.

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County's financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

FINDINGS AND RECOMMENDATIONS

Finding 2013-5 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process

Condition: The test of sixty (60) purchase orders reflected the following weaknesses:

- Five (5) purchase orders were not reviewed, authorized, or supported by adequate documentation.

<u>Purchase Order Number</u>	<u>Amount</u>
352	\$25.00
442	\$374.79
2987	\$267.10
3501	\$5.15
3714	\$849.10

- One (1) purchase order was not authorized or reviewed for encumbrance:

<u>Purchase Order Number</u>	<u>Amount</u>
692	\$5,367.14

- Two (2) purchase orders were requisitioned and approved by the same person:

<u>Purchase Order Number</u>	<u>Amount</u>
88	\$60.00
1212	\$168.00

Cause of Condition: Policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls and ensure compliance with state statutes.

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Effect of Condition: These conditions resulted in noncompliance with state statutes. Further, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include reviewing the purchase order to ensure that adequate documentation is attached.

Additionally, OSAI recommends the following in accordance with 19 O.S. § 1505C and § 1505E:

- County funds should be encumbered prior to the receipt of goods and/or services.
- Disbursements of county funds should be supported with invoices and receiving reports.

Management Response:

Chairman of the Board of County Commissioners and County Clerk: We will be more diligent in the review of requisitions and purchase orders to determine that all required approvals are present.

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/disbursements calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Further, Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Finding 2013-6 – Inadequate Internal Controls Over the Payroll Process

Condition: The test of forty-six (46) payroll documents reflected the following weaknesses:

- Forty (40) payroll timesheets were not accurately completed.
- Twelve (12) timesheets were not obtained at the time of payroll.
- Three (3) timesheets were not signed by the employee.
- Two (2) timesheets were not signed by the supervisor.

Cause of Condition: Policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls and timesheets are not being reviewed and approved for adequate documentation.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County ensure timesheets are properly completed and ensure sure that all timesheets are signed by the employee and supervisor prior to processing payroll.

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Management Response:

County Clerk: All officials will be informed that timesheets must be complete and that all timesheets must be turned in to the Payroll Clerk for payroll to be processed.

Chairman of the Board of County Commissioners: All offices will be informed to complete and turn in all timesheets to the Payroll Clerk for processing of payroll.

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/disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll 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 2013-8 – Inadequate County-Wide Controls (Repeat Finding)

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

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

Effect of Condition: Without an adequate system of county-wide internal controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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:

Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written policies and procedures regarding county-wide controls.

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

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Other Item(s) Noted:

Although not considered significant to the audit objectives, we feel the following issue should be communicated to management.

Finding: 2013-03 – Estimate of Needs

Condition: Upon review of the County's estimate of needs for the fiscal year ending June 30, 2013, we determined the following twelve (12) special revenue funds were omitted from the estimate of needs:

- Love County Health Center Remittance (LCHC)
- REAP Grant 2012
- CBRIN 105 Highway
- REAP Grants II
- CREAP 10-109
- FEMA 1735-DR-OK
- Citizen Corp Cert IJ #8
- CDBG 10 #14315
- Sheriff Donation
- E-911 Wireless
- E-911 Land Line
- REAP Grant 2013

**LOVE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Policy and procedures have not been designed and implemented to ensure that all funds are included on the estimate of needs.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the County officials not having the correct information for budgeting purposes, which could result in misappropriation and/or overspending of funds.

Recommendation: OSAI recommends the County review the estimate of needs prior to approval to ensure that all funds are accounted for and accurately presented.

Management Response:

Board of County Commissioners: We will review the estimate of needs for completion prior to approval. We will also inform our budget maker to include all funds in the estimate of needs.

Criteria: Title 68 O.S. § 3002.A states, “Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.”

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Love County
Board of County Commissioners
Love County Courthouse
Marietta, Oklahoma 73448

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, 2013:

- All County Offices – Fixed Assets procedures (19 O.S. § 178.1 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).

Our statutory compliance engagement was limited to the procedures performed 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 Love 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

November 9, 2015

**LOVE COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-9 – Inadequate Segregation of Duties Over the Court Clerk Revolving Fund and Court Fund Expenditure Processes

Condition: Upon inquiry and observation of the Court Clerk's Revolving Fund and Court Fund expenditure process, it was noted that the Court Clerk solely performs key duties with no independent verification of accuracy. The Court Clerk initiates and prepares the claim, attaches and verifies supporting documentation to claim, certifies that goods/services were received, signs the claim along with the District Judge or Associate District Judge, prepares and signs the checks, prepares the Court Clerk Revolving Fund quarterly reports and the Court Fund quarterly reports.

Additionally, the following was also noted in the testing of Court Fund expenditures:

- Three (3) Court Fund claims did not have supporting documentation attached.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties regarding expenditures of the Court Clerk Revolving Fund and Court Fund expenditures processes.

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

Recommendation: OSAI recommends a system of internal controls be designed regarding the expenditure processes. Such controls should include a segregation of the duties involved in the Court Clerk Revolving Fund and Court Fund expenditure processes, or an independent verification of the accuracy of components necessary to initiate and authorize expenditures.

Management Response:

Court Clerk: We will be more diligent in making sure claims include all supporting documentation and that all claims are accounted for.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of preparing the claim, attaching and agreeing supporting documentation, certifying receipt of goods/services, signing the claim, and preparing and signing the checks should be segregated.



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