Tulsa County, Oklahoma

Report on Internal Control Over Financial Reporting and on Compliance

For the year ended June 30, 2011

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

TULSA COUNTY, OKLAHOMA
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
FOR THE YEAR ENDED JUNE 30, 2011

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Oklahoma State Auditor & Inspector

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March 27, 2012

TO THE CITIZENS OF
TULSA COUNTY, OKLAHOMA

Transmitted herewith is the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* of Tulsa County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards.*

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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,

Gary A. Jones

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

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

TO THE OFFICERS OF
TULSA COUNTY, OKLAHOMA

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tulsa County, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise Tulsa County's basic financial statements and have issued our report thereon dated March 16, 2012. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Tulsa County Industrial Authority, the Tulsa County Criminal Justice Authority, the Tulsa County Home Finance Authority, the Tulsa County Employees' Retirement System, the Tulsa County Public Facilities Authority, and the Tulsa City/County Health as described in our report on Tulsa County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tulsa County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tulsa County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2011-2, 2012-3, 2011-6

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2011-1, 2011-4, 2011-5, 2011-7

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tulsa County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tulsa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Tulsa County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also 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.

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

March 16, 2012

Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2011-1 – Encumbrances (Repeat Finding)

Condition: We noted one instance for the Highway and Engineering Department (P.O. #1104431) out of 132 purchase orders tested where goods or services were either ordered and/or received prior to encumbering monies. This encumbrance made after the ordering and/or receiving of goods or services totaled $130,111.

Cause of Condition: Lack of communication between county offices.

Effect of Condition: When the official does not properly encumber funds, purchasing controls are not effective with regard to the determination of funds being available for expenditure.

Recommendation: OSAI recommends funds be encumbered prior to the ordering and/or receiving of goods and services as set forth in 19 O.S. § 1505.C, and to ensure funds are available for all purchases made.

Management Response:

Earlene Wilson, Tulsa County Clerk –
This finding involved a payment from Engineering to Oklahoma Department of Transportation for Tulsa County's share of a project performed by ODOT. Engineering does not know how much the amount will be until the invoice is received. In the future they will encumber an estimate that will be adjusted when the actual billing comes in.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Title 19 O.S. § 1505.C.2 states:

> The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505.C.3 states in part:

> In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Finding 2011-2 – Inmate Trust Account Receipts and Reconciliations (Repeat Finding)

Condition: Our test work of the Inmate Trust Account revealed the following:

- Receipt reports from intake, visitation, and the mailroom were not properly reconciled to the receipts of the day, were not signed by supervisor/officer, and could not be traced to the deposit book.
- After reviewing the deposit books, deposits jumped from 7/13/2010 to 8/13/2010 and 9/1/2010 to 9/20/2010 with no deposits in between the two dates.
- For one deposit selected, the currency/coin on the deposit slip did not match the report for the day or the intake report. This deposit amounted to $12,108.69.
- For one deposit selected, the deposit report indicated a deposit of $3,721.41, but $12,117.74 was deposited. This deposit was made into the correct account; however, the deposit was made on a deposit slip from the bank, instead of from the deposit book.
- Sheriff’s office could not provide some of the receipt books, deposit books, and inmate booking reports.
- Sixteen out of 25 deposits tested could not be traced to deposit slips. Of the nine that were traced to deposit slips, three deposits were not made daily.
- When inmates arrive at the county jail, the arresting officer uses any available receipt book. The receipt books are pre-numbered, but they are not issued in numerical order because multiple receipt books are used. Therefore, not all of the receipts can be accounted for. Receipt number sequences cannot be traced to deposit slips ensuring accuracy of deposits.
- There was no evidence that receipts are being voided or retained when an officer decides not to issue a receipt.
- Reconciliations are not performed.

Cause of Condition: Procedures have not been designed regarding receipting, depositing, and reconciliations of collections.

Effect of Condition: Without proper accounting of funds and monthly reconciliations, the Sheriff’s office is unable to have a complete and accurate assessment of the monies on hand in the Inmate Trust Account. This may also result in undetected errors and/or misappropriation of Inmate Trust Funds.

Recommendation: OSAI recommends the following:

- Steps should be taken to ensure that records are retained and support daily deposits.
- All money received should be deposited on a daily basis.
- Monthly reconciliation of the Inmate Trust Account should be performed. This reconciliation should be performed by personnel who are separate from the receipting and depositing functions of the Inmate Trust Account.
- The Sheriff’s office should maintain control of the sequential order of which receipt books are used for inmate monies deposited in the Inmate Trust Fund Account. Due to the different areas receiving monies for the Inmate Trust Fund Account and the difficulty in using one receipt book,

we recommend each area/department (Visitation, Booking, and Mail Room) use an independent set of receipt books and only issue receipts in sequential order. OSAI further recommends that one copy of the receipt be placed in the sealed envelope with the monies received. When the envelopes are opened and the deposit is prepared, receipts should be placed in numerical order by area/department to account for all receipts. OSAI also recommends a copy of any voided receipt be placed in the envelope of monies to be deposited. This will ensure all receipt numbers are accounted for and the accuracy of deposited monies.

Management Response:

Corporal Robin Strope, Tulsa County Sheriff –
Receipt books will now be kept in the inmate accounting department and will be issued to each department in sequential order. We will maintain a log of what receipt books each department has with their signatures. Receipt books will now be kept by our intake officer in booking. As an inmate is booked in, a money receipt will be issued to the arresting officer by our intake officer. This will keep our receipts in sequential order and keep the arresting agency from taking the receipt books with them in their patrol units. This should also correct the problem of voided receipts not being left in the receipt books.

With the new CORE accounting system, reconciliation will be performed monthly. There is an actual reconciliation function with this new system that we started in January. The reconciliation will be performed by myself, Sergeant Darby, and Captain Lillard. The support division is in the process of hiring an accountant to assist in the reconciliation of the inmate accounts and grants.

Criteria: Statutory control requirements have been established for the depositing of funds.

Title 19 O.S. §531.A. states in part:

> 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.

To ensure a proper accounting of funds, receipts should be issued in sequential order, adequate documentation for receipts should be maintained, a reconciliation of accounting records to bank records should be performed, and supervisory review should be in place.

Finding 2011-3—Inmate Trust Disbursements

Condition: Our test work of the Inmate trust disbursements revealed the following:

- Nine of the ten checks and ten of the ten debit card transactions selected were not issued in sequential order.
- For the dates selected, eight of the ten checks and two of the ten debit cards listed on the computer generated check register did not have supporting documentation in the file.

- There was no supporting documentation on file for all 20 voided transactions selected from the register of voided transactions.
- Three of the ten debit card receipts did not contain the inmate and/or releasing officer's signature upon inmate release.

Cause of Condition: Lack of controls over disbursements.

Effect of Condition: This does not allow for proper accountability of all disbursements and can lead to possible misappropriation of the inmates' funds.

Recommendation: OSAI recommends the Sheriff's office issue checks and debit card transactions in sequential order, reconcile check stubs and debit card receipts to computer generated reports, account for, deface and keep supporting documentation for all voided transactions.

Management Response:

Corporal Robin Strope, Tulsa County Sheriff –
I am looking into getting checks without preprinted check numbers. As the checks are being issued the check numbers will be printed in order automatically by the system no matter where it is printed from. This will keep our checks in sequential order since we must issue checks from both inmate accounts and release. The release officers will start signing the receipts as they are releasing the money. The release officers will also start signing the checks as they are printed below the Under Sheriff's computer generated signature.

Criteria: Effective accounting controls over disbursing of monies include the issuance of pre-numbered checks supported by adequate supporting documentation. The payee and amount on the disbursements should agree with the disbursement register. Voided disbursements should be accounted for and defaced.

Finding 2011-4 – Mail Room Receipts

Condition: Based upon inquiry and observation, we found the mail room at the jail is one place where money is received for inmates. The Sheriff's office has a policy that only checks and money orders are accepted, and cash is returned to the sender. There is no policy in place that requires two employees to be in the mail room at all times. One employee is responsible for returning the cash with no oversight.

Cause of Condition: Procedures have not been designed for the receipting and depositing processes in the mailroom.

Effect of Condition: Lack of management oversight and review of cash received in the mail room could result in unrecorded transactions and misappropriation of inmates' funds.

Recommendation: OSAI recommends two employees collect and open the mail together. A log of checks and cash received by mail should be maintained. One employee should log the checks and cash and another employee should issue receipts. Controls should be established to ensure that cash received in the mail room is accurately documented.

Management Response:

Corporal Robin Strope, Tulsa County Sheriff –
I believe if we stop accepting money orders through the mail this would prevent several of the money order issues. We used to have a Western Union machine in my office and the money order would print directly made out to us with the inmates' information, which can be sent from any Western Union Agent. However we are installing a camera in the mailroom to monitor the opening of the mail.

Criteria: To help ensure a proper accounting of funds, the duties of receiving, receipting, and recording, should be segregated and properly supervised by management. A single person having responsibility for more than one area of recording and custody of assets could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Finding 2011-5 - Sheriff's Contract Revenue

Condition: While reviewing the Sheriff's Contract Revenue it was noted that services performed for Tulsa Technology Center and Union Public Schools were not invoiced in a timely manner. For the months of January and February of 2011, invoices were not created until April 21, 2011. The four invoices totaled $205,253.00.

Cause of Condition: Procedures have not been designed to ensure invoices are timely prepared.

Effect of Condition: This condition could result in loss of revenue or revenue not reported correctly.

Recommendation: OSAI recommends the Sheriff's office implement controls to ensure timely issuance of invoices for services performed from contract revenue.

Management Response:

Christina Morrison, Fiscal Officer, Tulsa County Sheriff's Office –
TCSO invoices on a reimbursement basis to TTC and Union based on the previous payroll period of the employees included in the contract. Therefore, invoicing occurs during the month following the completion of the payroll period. Information for invoicing is derived from payroll reports created on each individual employee included in the contracts. Prior to this time period, this information was accessed through another County department via MUNIS. However, during the months indicated on the audit finding, TCSO was transitioning to be able to access the payroll information directly and was behind in invoicing. Since this period, TCSO has been able to access the needed payroll information for these invoices directly and is able to invoice TTC and Union in a consistent and timely manner.

Criteria: In order to properly account for revenue, an account ledger should be maintained of revenue in which the Sheriff has contracted.

Finding 2011-6 – Capital Assets

Condition: During our test work of Capital Assets, we found supporting documentation did not agree with the original amounts reported in the financial statements for capital assets. As a result of our test work we noted the following instances where the original amount reported was adjusted on the financial statements:

Capital Asset	Amount Originally Reported on Financial Statements	Final Amount Reported on Financial Statements	Difference
Accumulated Depreciation – Capitalized Software	$491,974	$453,467	($38,507)
Deletions to Construction in Progress (CIP)	$8,213,893	$7,991,097	($222,796)
Additions to Construction in Progress (CIP)	$5,425,772	$5,623,869	$198,097
Additions to Machinery and Equipment	$2,890,151	$2,767,531	($122,620)
Deletions to Machinery and Equipment	$1,943,585	$1,717,086	($226,499)
Additions to Infrastructure	$8,317,832	$8,088,939	($228,893)

Furthermore, several reclassifications were made to FY10 ending balances (FY11 beginning balances). The reclassifications to FY11 beginning balances were as follows:

- Land – ($3,573,137)
- Construction in progress - ($121,490)
- Infrastructure - $2,956,197
- Infrastructure accumulated depreciation - $327,145

Cause of Condition: Lack of written policy and procedures and controls for the financial reporting of capital assets.

Effect of Condition: Without written policy and procedures for reporting additions and deletions for land, buildings, infrastructure, machinery and equipment, or construction in progress, unrecorded inventory items, undetected errors, and/or misstatements of the office/division’s assets could occur.

Recommendation: OSAI recommends the County establish written policies and procedures for recording land, buildings, infrastructure, machinery and equipment, and construction in progress. In addition, all land, buildings, infrastructure, machinery and equipment, and construction in progress need to be compiled and tracked at central locations to prevent discrepancies in the reporting of capital assets.

Management Response:

Earlene Wilson, Tulsa County Clerk –
Our written policy number TCP 002 - Capital Inventory and TCP025 – Accounting and Financial Reporting for Capital Assets will be updated and combined into a new policy. New procedures will be developed to compile and track the reporting of capital assets at a central location for land, building, infrastructure, machinery and equipment, and construction in progress. The new policy will be distributed and training will be provided to all Capital Inventory officers for each department within the County. The new policy will be implemented in fiscal year 2013.

Criteria: Title19 O.S. § 178.2 states in part:

> It shall be and is hereby made the duty of every county officer, board, commission, or department ... to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act.

Effective internal controls over the safeguarding of assets include written policies and procedures and the adherence thereto.

Finding 2011-7 - Machinery and Equipment

Condition: During our review of machinery and equipment additions, we noted asset #11361 was obtained and added to the inventory listing in fiscal year 2010, but was recorded as an addition to FY2011.

Cause of Condition: Lack of written policy and procedures and controls for the financial reporting of capital assets.

Effect of Condition: This condition resulted in an unrecorded transaction and a misstatement of the County’s assets.

Recommendation: OSAI recommends that inventoried items are listed on the capital asset listing at the actual purchase price and that the asset is added to the inventory listing in the correct fiscal year.

Management Response:

Earlene Wilson, Tulsa County Clerk –
The acquisition date of Asset 11361 was 6/30/10; however the FY field was entered as 2011. When running the acquisition report asset #11361 was pulled in as a FY2011 addition when it should have been

a FY2010 addition. We will look into the possibility of software changes that would not allow the wrong fiscal year to be accepted. Also we will include additional training for inventory officers for fiscal year end entries.

Criteria: Title 19 O.S. § 178.1 states in part:

> The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars ($500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...

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