OPERATIONAL AUDIT

Atoka County

For the period July 1, 2007 through June 30, 2011

OFFICE OF THE STATE AUDITOR AND INSPECTOR
OKLAHOMA

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

ATOKA COUNTY OPERATIONAL AUDIT
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2011

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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

November 22, 2013

TO THE CITIZENS OF
ATOKA COUNTY, OKLAHOMA

Transmitted herewith is the audit report of Atoka County for the period July 1, 2007 through June 30, 2011.

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, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

BACKGROUND

Settled in the mid–1800s, this county was first called Shappaway, with the county seat located at the Choctaw Court grounds on the banks of the Muddy Boggy River. The name was later changed to Atoka in honor of Captain Atoka, a noted Choctaw who led a band of his people to this area during the removal.

Atoka, the county seat, was a stop on the Butterfield Overland Stage Road, the route followed when mail service began between Missouri and San Francisco in 1857. Boggy Depot, located in the western part of the county, served as an important trading post during early years and is now historic Boggy Depot State Park.

Well known for its hunting and fishing, half its area is forested and contains several mountain streams and man-made lakes. It is the site of Oklahoma’s largest rock quarry, which is located at Stringtown.

The county claims many firsts including Oklahoma’s first Masonic Lodge, first chapter of Eastern Star, and first Catholic Church in Indian Territory. Country entertainer Reba McEntire is from the county. Tales of Atoka County Heritage and Atoka County Museum offer more information. The Chamber of Commerce serves as a tourist center, and the Confederate Memorial Museum and Cemetery is also an information and rest area, located on HWY 69 north of Atoka.

For more information, call the Atoka Chamber of Commerce at 580/889–2410.

County Seat – Atoka — Area – 990 Square Miles

County Population – 14,498
(2009 est.)

Farms – 1,218 — Land in Farms – 408,444 Acres

Primary Source: Oklahoma Almanac 2011-2012

COUNTY OFFICIALS

Nancy Hill	County Assessor
Christie Henry	County Clerk
Marvin Dale	County Commissioner District 1
Gilbert Wilson	County Commissioner District 2
Phillip Culbreath	County Commissioner District 3
Gary McCool	County Sheriff
Richard Lillard	County Treasurer
Barbara Hunt	Court Clerk

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for FY 2011

	Beginning Cash Balance July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balance June 30, 2011
Combining Information:				
County General Fund	$ 1,591,331	$ 2,987,253	$ 2,769,666	$ 1,808,918
County Highway Fund	1,519,672	4,760,229	4,308,192	1,971,709
Resale Property Fund	22,227	81,897	61,865	42,259
County Health Department	197,524	264,557	240,899	221,182
Hospital	119,049	1,040,465	1,006,461	153,053
County Sinking	14,818	3,080	14,918	2,980
Sheriff Drug Account	775	-	-	775
Combined Total - All County Funds	$ 3,465,396	$ 9,137,481	$ 8,402,001	$ 4,200,876

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

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.

The audit period covered was July 1, 2007 through June 30, 2011.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

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. 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.

Objective 1:	To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2011.

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, internal controls over the monthly reports and segregation of duties within the Treasurer's office should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of accurately presenting the receipts apportioned, disbursements, and cash balances on the County Treasurer's monthly reports through discussions with the County Treasurer, observation, and review of documents.

- Performed the following to ensure receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer's monthly reports:
    - Reconciled County Treasurer's receipts to amounts apportioned on the County Treasurer's monthly reports.
    - Reconciled the County Clerk's warrants issued to disbursements paid by the County Treasurer.
    - Re-performed all bank reconciliations at June 30, 2011, to determine that all reconciling items were valid, and ending balances on the general ledger agreed to the ending balances reflected on the County Treasurer's monthly reports.

Finding: Inadequate Internal Controls Over the County Treasurer's Monthly Reports and Lack of Segregation of Duties in the County Treasurer's Office

Condition: When documenting the process over the monthly reports, we noted the following:
- Bank reconciliations were not reviewed and approved by someone other than the preparer.
- The County Treasurer did not verify funds were available prior to registering warrants.
- There was no documentation the County Clerk reconciles all funds with the County Treasurer.
- The County Treasurer did not maintain a ledger of cash vouchers.
- The County's Financial Statement was not reviewed for accuracy and was not approved by the Board of County Commissioners (BOCC).
- Duties were not adequately segregated in the County Treasurer's office, as follows:
    - All Employees issue receipts.
    - All Employees work from the same cash drawer.
    - The same employee prepares the daily report, monthly report, and posts to the general ledger.
    - The same employee prepares the deposit and also takes the deposit to the bank without oversight or review.

Cause of Condition: Procedures have not been designed to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports. Further, duties regarding the collection process have not been adequately segregated.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal control 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:

- Bank reconciliations should be reviewed by someone other than the preparer.
- Employees' issuing receipts should have their own cash drawer.
- Duties should be adequately segregated so that individuals issuing receipts do not prepare the deposits, deliver the deposits to the financial institutions, or reconcile the bank statements.
- The funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.
- Available funds should be verified prior to registering warrants for payments.
- A ledger should be maintained for cash vouchers.
- BOCC should review and approve financial statement.

Management Response:
County Treasurer: Management chose not to respond.

County Clerk: My office is continuing to work toward balancing with the County Treasurer's office.

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 transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Objective 2:	To determine the County's financial operations complied with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

Conclusion: With respect to the days tested, the County did not comply with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to pledged collateral through discussions with the County Treasurer, observation, and review of ledgers and documents.

- Tested compliance of significant law, which included the following:
  - Selected two days per month from banks holding deposits of county funds and determined that bank balances were adequately collateralized.

Finding: Inadequate Internal Controls Over Pledged Collateral and Noncompliance with Statute

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the pledged collateral process, the following was noted:

- Internal controls have not been designed to monitor deposits daily to ensure bank balances are adequately collateralized.
- The County Treasurer's office does not maintain a ledger to record and document pledged securities.

Additionally, instances of noncompliance were noted in our test of pledged collateral.

- The County was not adequately pledged at a local bank for nineteen of ninety-six days tested, which are as follows:

  - February 19, 2008, in the amount of $245,756.80.
  - February 26, 2008, in the amount of $55,669.97.
  - January 23, 2009, in the amount of $388,044.16.
  - January 29, 2009, in the amount of $326,131.01.
  - February 13, 2009, in the amount of $185,579.14.
  - February 17, 2009, in the amount of $87,979.19.
  - January 14, 2010, in the amount of $29,439.23.
  - January 20, 2010, in the amount of $593,497.84.
  - July 12, 2010, in the amount of $42,555.32.
  - July 13, 2010, in the amount of $56,655.93.
  - October 19, 2010, in the amount of $2,277.52.
  - October 21, 2010, in the amount of $24,860.30.
  - November 10, 2010, in the amount of $227,413.19.
  - November 24, 2010, in the amount of $87,936.31.
  - December 16, 2010, in the amount of $176,225.60.
  - December 22, 2010, in the amount of $437,772.90.
  - January 25, 2011, in the amount of $1,472,652.02.
  - January 31, 2011, in the amount of $1,542,191.00.
  - February 9, 2011, in the amount of $2,007,773.53.

Cause of Condition: Procedures have not been designed to review daily bank deposits to determine they are adequately secured with pledged collateral.

Effect of Condition: Failure to monitor pledged collateral amounts resulted in unsecured county funds, noncompliance with state statute, and could result in possible loss of county funds.

Recommendation: OSAI recommends that the County Treasurer design procedures to compare bank balances to the fair market value of pledged collateral on a daily basis to ensure that county funds are adequately secured and that the County is in compliance with state statute. Documentation for this daily procedure should be maintained.

Management Response:
County Treasurer: Action has been taken to correct this finding.

Criteria: Effective internal controls require that monitoring pledged securities be performed on a daily basis to ensure compliance with 62 O.S. § 517.4.

Objective 3:	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 generally 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 should be strengthened regarding the collection and apportionment of sales tax funds.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal control process of receipting, apportioning, and disbursing sales tax collections through discussions with County personnel, observation, and review of documents.

- Tested compliance of the significant law, which included the following:
  - Reviewed sales tax ballots to determine designation and purpose of sales tax collections.
  - Obtained confirmations from the Oklahoma Tax Commission for sales tax payments made to the County and recalculated the amounts apportioned by the County Treasurer to ensure sales tax collections were apportioned to the proper funds.
  - Selected a random sample of 160 purchase orders to determine that expenditures were made for purposes designated on the sales tax ballot.

Finding: Inadequate Internal Controls Over the Sales Tax Calculation and Noncompliance with Statute

Condition: Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections and disbursing of sales tax fund, the following was noted:

- The calculation of sales tax collections performed and apportioned by the County Treasurer and that are appropriated by the County Clerk are not reviewed or approved, by someone other than the preparer.
- For the period of July 1, 2007 through December 31, 2009, the sales tax collections were remitted directly to the hospital.
- For the period of July 1, 2007 through June 30, 2010, the sales tax collections were remitted directly to the fire departments.
- Sales tax deposits are not receipted until the end of the month.

Additionally, the following noncompliance was noted in our test of sales tax disbursements:

- For the period of July 1, 2007 through December 31, 2009, the sales tax collections were remitted directly to the hospital; therefore, we were unable to determine the expenditure was used only for the designated purpose.
- For the period of July 1, 2007 through June 30, 2010, the sales tax collections were remitted directly to the fire departments; therefore, we were unable to determine the expenditure was used only for the designated purpose.

Cause of Condition: Procedures have not been designed to review the sales tax apportionment and ensure sales tax collections are accurately appropriated to designated funds. Procedures have not been implemented to ensure sales tax revenue is used only for the purpose for which it was designated.

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

Recommendation: OSAI recommends that procedures be designed to review the calculation of the sales tax apportionment and appropriation to ensure collections are distributed in accordance with the sales tax ballot. OSAI also recommends that procedures be implemented to ensure sales tax revenue is used only for the purpose for which it was designated.

Management Response:
County Treasurer: I will implement auditor recommendation.

Criteria: Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating and apportioning sales tax should be reviewed and documented by an independent party and would include expenditure procedures that ensure compliance with 68 O.S. § 1370E.

Objective 4:	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. However, internal controls over the apportionment of ad valorem taxes should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of apportioning and distributing ad valorem tax collections, which included discussions with County personnel, observation, and review of documents.

- Tested compliance of the significant law, which included the following:
  - Compared the certified levies for the audit periods to the computer system and determined the County Treasurer applied the certified levies, as fixed by the Excise Board of the County, to the tax rolls.
  - Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

Finding: Inadequate Internal Controls Over the Ad Valorem Tax Apportionments

Condition: Upon inquiry and observation of the recordkeeping process of apportioning ad valorem collections, the following was noted:

- The County did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem tax system by the County Treasurer's office.
- The apportionment of ad valorem collections are not reviewed or approved by someone other than the preparer.

Cause of Condition: Procedures have not been designed to document and retain evidence of procedures performed to ensure ad valorem tax levies are accurately entered into the ad valorem system. Procedures have not been designed to ensure ad valorem tax levies are accurately apportioned.

Effect of Condition: Since there is no evidence of the controls to review, we could not determine that controls are operating effectively.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal control to provide reasonable assurance that the tax levies are entered into the Treasurer's system accurately to maintain evidence of these controls. In addition, OSAI recommends that procedures be designed to review the calculation of the ad valorem apportionment to ensure collections are distributed in accordance with the tax levies.

Management Response:
County Treasurer: Documentation of the review of certified levies will be retained.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating, and apportioning ad valorem tax should be segregated or reviewed by an independent party.

Objective 5:	To determine the County's financial operations complied with 19 O.S. § 1505C, 19 O.S. § 1505E, and 19 O.S. § 1505F, which outlines procedures for expending county funds.

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. § 1505C, 19 O.S. § 1505E, and 19 O.S. § 1505F, which prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of encumbering purchase orders, authorization of payment of purchase orders, and documenting goods and services received, which included discussions with County personnel, observation, and review of documents.

- Tested compliance of the significant law, which included the following:
  - Selected a random sample of 160 purchase orders from county funds and determined:
    - Encumbrance was made prior to ordering or receiving the goods.
    - Receiving report was completed and authorized by receiving officer.
    - Invoice from goods/services was itemized.
    - The claim was reviewed/authorized by the County Clerk.
    - The BOCC and/or management approved the purchase order/claim.

Finding: Inadequate Internal Controls Over Purchasing Procedures and Noncompliance with Statute

Condition: Upon inquiry of County personnel, observation, and review of documents, regarding the purchasing process, the following was noted:

- A ledger for cash vouchers is not maintained by the County Treasurer.
- Requisition officers were not properly designated, and purchase orders were issued to individuals that were not designated as the requisition officer.
- One employee had control over the County Clerk's signature stamp.
- One employee had control over all three County Commissioner's signature stamps.

After performing testwork regarding the purchasing process, the following was noted:

- Twelve purchase orders were not encumbered prior to ordering or receiving the goods.
- Thirteen purchase orders did not have a completed receiving report.
- Six purchase orders did not have proper/itemized invoices.
- Ten purchase orders were not reviewed and authorized by County Clerk.
- Seven purchase orders were not approved by the BOCC.

Cause of Condition: Procedures designed by state statute have not been adequately implemented. Also, procedures to control the use of the signature stamps have not been designed or implemented due to officials being unaware of the risk involved with someone other than themselves having access to their signature stamps.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds. In addition, unauthorized use of the signature stamps could result in improper authorizations, and checks being fraudulently issued.

Recommendation: OSAI recommends the County implement internal control procedures to ensure compliance with purchasing statutes. In addition, OSAI recommends signature stamps be adequately safeguarded from unauthorized use.

Management Response:
County Clerk: The auditor recommendation will be implemented. Signature stamps are now locked in my private office and employee usage is restricted. Employees are required to log all usage including the date and time checked in and checked out.

Current District 2 Commissioner: The County will make every effort to improve compliance with state statutes.

District 3 Commissioner: We will strive to do better to ensure that purchases comply with statutes.

Auditor Response: Although the County Clerk is implementing mitigating controls regarding the usage over her signature stamp, to be adequately safeguarded signature stamps should be in the possession of, and only used by, the individual whose name is on the stamp.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505C, 19 O.S. § 1505E, and 19 O.S. § 1505F.

Objective 6:	To determine the County's financial operations complied with 19 O.S. § 1505B, which requires county purchases in excess of $10,000 be competitively bid.

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. § 1505B, which requires that purchases in excess of $10,000 be competitively bid.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of competitively bidding purchases in excess of $10,000, which included discussions with County personnel, observation, and review of documents.

- Selected a random sample of twenty purchases in excess of $10,000 and determined that:
  - Notice of bid was mailed to vendors on bid list.
  - Notice of bid published in County-wide newspaper.
  - Notices were sent ten days prior to date that bids were opened.
  - The BOCC selected successful bid in open meeting.
  - Lowest bid was accepted or reason given for not selecting lowest bid.
  - Successful bidder was notified.

Finding: Inadequate Internal Controls Over County Purchases in Excess of $10,000 and Noncompliance with Statute

Condition: Upon inquiry of County personnel, observation, and review of documents, regarding the purchases in excess of $10,000, the following was noted:

- Affidavits for the mailing of bid packets were not prepared.
- The BOCC minutes do not state a reason for not accepting lowest bid.
- The BOCC accepted all six month bids without opening bid packets.
- The BOCC did not competitively bid fuel purchases.
- The BOCC did not competitively bid all road projects.
- The County did not maintain documentation that the successful bidders were notified.

After performing testwork regarding the bidding process, the following was noted:

- Fourteen bids did not have actual evidence that notice to bid was mailed to vendors.
- Two bids did not state reason in minutes for not accepting lowest bid.
- Twenty bids did not have documentation that a successful bidder was notified.
- Documentation for one bid noted in the BOCC minutes could not be located.

Cause of Condition: Procedures have not been developed and designed to document compliance with state statutes and provide assurance that controls are in place.

Effect of Condition: These conditions resulted in the noncompliance with state statute.

Recommendation: OSAI recommends the County implement procedures to ensure bidding is properly performed. These procedures should include:

- Affidavits of "notice to bid" for each person or vendor mailed a bid packet be retained in the bid file.
- The BOCC minutes should state reason if lowest bid is not accepted.
- All items that are required to be bid should be competitively bid.
- Documentation of notification of successful bidder should be maintained in the bid file.
- Documentation of bids should be retained.

Management Response:
County Clerk: Procedures have now been implemented to correct these issues. Documentation of bid packets mailed is being maintained. All bids received are opened during Board of County Commissioners meeting and bids are recorded on the bid record summary sheet. Successful bidders are notified by letter. All documentation is retained in bid files.

District 1 Commissioner: The County will bid future fuel purchases. All six-month bids are now being opened and reviewed in the meeting. Additionally, the reason for not accepting the lowest bid will be documented.

Current District 2 Commissioner: We will ensure compliance with state statute.

District 3 Commissioner: Corrective action will be taken and problems will be resolved.

Criteria: Effective internal controls require that management properly implement procedures to ensure that the County complies with 19 O.S. § 1505B.

Objective 7:	To determine the County's financial operations complied with 19 O.S. § 180.62 and § 180.63 regarding amounts allowed for officers' salaries.

Conclusion: With respect to the salaries tested, the County complied with 19 O.S. § 180.62 and 180.63, which establish limitations on the amount of county officers' salaries. However, internal controls over the payroll expenditure process should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of determining amounts allowed for officers' salaries, which included discussions with County personnel, observation, and review of documents.

- Tested compliance of the significant law, which included the following:
  - Reviewed salaries paid to officers to determine that they were not in excess of the amount allowed by statute.

Finding: Inadequate Internal Controls Over the Calculation of Salary Limitations for Officers

Condition: The County does not have procedures in place to ensure that salaries are calculated in accordance with state statutes.

Cause of Condition: Procedures to ensure compliance with this statute were not designed and implemented due to the County officials being unaware of a need for such procedures.

Effect of Condition: This condition could result in noncompliance with salary limitations; particularly in the event of fluctuations in the ad valorem tax revenue and population of the County that determines salary limitations.

Recommendation: OSAI recommends the County implement procedures to ensure that the amounts paid to the County officers do not exceed the amounts allowed. These procedures should include calculating the maximum amount allowable, having an independent review of those calculations, and retaining documentation for audit purposes.

Management Response:
Chairman BOCC: The formula calculation will be performed prior to the authorization of salary changes for officials. Proof of this calculation will be documented.

County Clerk: Documentation for the calculation of officer’s salary limitations will be documented in the event of a salary change.

Criteria: Effective internal controls include management design procedures to ensure that officers’ salaries comply with 19 O.S. § 180.62 and 180.63.

Finding: Lack of Internal Controls Over the Payroll Process

Condition: It was determined through discussion with County personnel, observation, and review of documents that the payroll process was not adequately segregated.

- The Payroll Clerk enters new employees into the system, inputs payroll information into the system, maintains personnel files, prepares the OPERS reports, and state and federal tax reports.
- The Purchasing Agent retains the County Clerk’s signature stamps. This stamp is used by the Purchasing Agent to approve all payroll warrants.
- Timesheets were not prepared or approved for all County Treasurer and Election Board employees.

Cause of Condition: In an effort to maximize efficiency and available resources, the County has relied upon one individual to perform the majority of the payroll process. In addition, to expedite the approval process, the Purchasing Agent stamps all warrants with the County Clerk's signature stamp. Internal controls regarding timesheets have not been adequately implemented.

Effect of Condition: Due to the conditions mentioned above, an opportunity for errors and misappropriation of county funds exists.

Recommendation: OSAI recommends the key accounting functions of the payroll process be adequately segregated as follows:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Approving payroll warrants.
- Distributing payroll warrants to individuals.

In addition, OSAI recommends implementing internal controls to ensure management reviews and approves timesheets.

Management Response:
County Clerk: I now review and approve the payroll reports every pay period. Signature stamps are now locked in my private office and employee usage is restricted.

Auditor Response: Although the County Clerk is implementing mitigating controls regarding the usage over her signature stamp, to be adequately safeguarded signature stamps should be in the possession of and used by that individual whose name is on the stamp.

Criteria: Effective internal controls requires key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. Also, timesheets should be prepared by each employee and properly approved by a supervisor as part of sound accounting practices.

Objective 8:	To determine the County's financial operations complied with 19 O.S. § 1504A, which requires the receiving officer to maintain a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by his department.

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. § 1504A, which requires the receiving officer to maintain a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by their department.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of maintaining a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by a department, which included discussions with County personnel, observation, and review of documents.

- Tested compliance of the significant laws, which included the following:
    - Verified 100% of consumable records for Districts 1, 2, and 3 to determine that the district barns are maintaining accurate records and that they agree to a physical count of records.
    - Reviewed fuel logs for Districts 1 and 2, to determine that fuel logs are maintained, reconciled, and agreed to physical count on hand. (District 3 does not maintain fuel tanks; fuel is purchased at a local vendor.)

Finding: Inadequate Internal Controls Over Consumable Inventories and Noncompliance with Statute

Condition: Upon inquiry of County personnel, observation, and review of documents, regarding consumable inventories, the following was noted:

- The consumable inventories process is not adequately segregated. District 1, 2, and 3 each have one person that is in charge of consumable inventories and that person performs all key processes including recording, maintaining, and verifying consumable inventories.

- District 1, 2, and 3 did not retain documentation of the count of physical inventories for consumables.

- District 3 did not have consumable inventories up to date or accurately maintained.

- District 2 did not reconcile fuel records.

- The Sheriff’s office did not maintain fuel log and reconciliations are not performed.

While performing testwork regarding consumable inventories, the following was noted:

- For the consumable items tested, two did not agree to physical count on hand.

District	Consumable Item	Physical Count	Consumable Records	Variance
District 2	16” I-Beams	13,600 lbs.	13,335 lbs.	265 lbs.
District 2	18” I-Beams	7,380 lbs.	7,410 lbs.	(30) lbs.

- For the consumable items tested, eighteen were not listed on consumable inventories cards.

District	Consumable Item	Physical Count
District 1	14x24 Tires	3
District 1	11x22.5 Tires	3
District 2	14x24 Tires	5
District 2	11R 22.5 Tires	8
District 2	12.5x80 Tires	1
District 2	Metal T-Posts	21
District 2	Road Signs	13
District 3	11R 22.5 Tires	2
District 3	235x80 R16 Tires	2
District 3	8.25xR16 Tires	2
District 3	5/8" Grader Blades	56
District 3	30" x 30" Tin Horn	1
District 3	30" x 24" Tin Horn	1
District 3	12' Steel Pipe (feet)	106
District 3	16" Steel Pipe (feet)	38
District 3	20" Steel Pipe (feet)	86
District 3	Road Signs	19
District 3	15W40 Motor Oil (gallons)	175

- Fuel tanks were measured and compared to balances recorded on fuel logs. District 2 fuel logs did not agree to actual fuel on hand.

District	Type of Fuel	Fuel on Hand	Fuel Log	Variance
District 2	Diesel	444.89 gallons	480 gallons	35.11 short
District 2	Gasoline	392.15 gallons	370 gallons	22.15 long

Cause of Condition: Procedures have not been implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining, and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information and with a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:
District 1 Commissioner: The receiving clerk at the shop will be reviewing consumable inventories to ensure accuracy and to perform an independent verification.

Current District 2 Commissioner: The district no longer stores gasoline at the county barn. The diesel pump has been repaired to ensure readings are accurate. Physical counts will be performed and all items will be put on consumable inventories cards.

District 3 Commissioner: Corrective action has been taken and problems have been resolved.

Current County Sheriff: The Sheriff's office now uses fuel cards.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored, and consumed by their department comply with 19 O.S. § 1504A.

Objective 9:	To determine the County's financial operations complied with 19 O.S. § 178.1 and 69 O.S. § 645, which requires the maintenance of inventory records, periodic inventory verifications, and that equipment be clearly and visibly marked "Property of" the County.

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. §178.1, which requires the maintenance of inventory records, and periodic inventory verifications. With respect to the items tested, the County complied with requirements 69 O.S. § 645, which requires that equipment be clearly and visibly marked "Property of" Atoka County.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of maintaining inventory records, verifying inventory, and marking equipment "Property of" the County, which included discussions with County personnel, observation, and review of documents.

- Tested compliance of the significant laws, which included the following:
  - Selected a sample of 48 fixed assets, which included three from each office or department, and ten from each district barn, and verified to their records of inventories

to determine that inventory records are correct. The sample also included items that are required to be marked "Property of Atoka County" as required by 69 O.S. § 645.

Finding: Inadequate Internal Controls Over Fixed Asset Inventories and Noncompliance with Statutes

Condition: Upon inquiry of County personnel, observation, and review of documents, the following weaknesses over fixed asset inventories were noted:

- The County has not designed internal controls to provide for adequate segregation of duties over the fixed assets inventory process.
- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1.

After performing testwork regarding consumable inventories, the following was noted:

- The following two items tested, could not be traced to inventory records:

Office	Equipment
Election Board	Dell Computer
Election Board	Dell Computer

Cause of Condition: Policies and procedures have not been designed to ensure compliance with state statute regarding the identification and accounting of fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statutes.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 1 by maintaining inventory records and properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed assets recordkeeping process. Additionally, OSAI recommends the County comply with 69 O.S. § 645 by designing procedures to ensure that all equipment is properly marked with county identification numbers and "Property of Atoka County."

Management Response:
County Assessor: A physical inventory count has now been performed and filed in the County Clerk's office.

County Clerk: The auditor recommendation will be implemented.

County Treasurer: We will implement the auditor recommendation.

Current County Sheriff: Management chose not to respond.

District 1 Commissioner: We will review auditor recommendation.

Current District 2 Commissioner: An annual physical inventory will be fully documented.

District 3 Commissioner: The County will perform a physical inventory count.

Election Board Secretary: A physical inventory has now been conducted and filed with the County Clerk.

Criteria: Effective internal controls include management design procedures to ensure that all inventory records are maintained, periodic inventory verifications are performed, and that equipment be clearly and visibly marked "Property of" the County to comply with 19 O.S. § 178.1 and 69 O.S. § 645.

Objective 10:	To determine the County's financial operations complied with 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of office.

Conclusion: With respect to the days tested and items reconciled, the County generally complied with 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of office. However, internal controls over receipting and depositing should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of officers depositing daily in the official depository all collections received under the color of office, which included discussions with County personnel, observation, and review of documents.

- Tested compliance with 19 O.S. § 682, which included reviewing a sample of receipts from the County Sheriff and County Clerk's depository accounts and verifying the following:
  - All monies were receipted.
  - Monies were deposited daily.

Finding: Inadequate Internal Controls Over Official Depository Receipts and Deposits and Noncompliance with Statute

Condition: Upon inquiry and review of the receipting and depositing process in each office, we noted the following weaknesses with regard to receipting and depositing official depository collections:

- **County Assessor:**
  - Monies received were not deposited daily.
  - One individual issues receipts, reconciles the cash drawer, and takes the deposit to the County Treasurer.

- **Election Board Secretary:**
  - One individual issues receipts, reconciles the cash drawer, prepares the deposit, and takes the deposit to the County Treasurer.

- **County Clerk:**
  - One individual issues receipts, reconciles the cash drawer, prepares the deposit, takes the deposit to the County Treasurer.

- **County Sheriff:**
  - One individual issues receipts, prepares the deposit, takes the deposit to the County Treasurer.
  - Monies received were not deposited daily.

- **Court Clerk:**
  - One individual issues receipts, prepares the deposit, and takes the deposit to the County Treasurer.

- **County Treasurer:**
  - One individual issues receipts, prepares, and makes the deposit.
  - Official depository bank reconciliations are performed by an employee with additional duties in the receipting process.
  - Official depository bank reconciliations are not reviewed by someone other than the preparer.

Additionally, our test of receipts revealed the following noncompliance with regard to the Sheriff's Official Depository account:

- Monies received were not deposited daily.
- Receipts were not issued for all monies collected.
- Receipts were not issued in sequential order.
- Receipts were issued from multiple receipt books.

Cause of Condition: Policies and procedures have not been designed to ensure receipts are issued for all collections received and all monies received are timely deposited. Additionally, due to the limited number of personnel within each office, one individual is responsible for all the key functions of the office.

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

Recommendation: OSAI recommends establishing a system of controls to adequately protect the collection of each office, which include but are not limited to the following:

- The employee who prepares the deposit should not issue receipts or reconcile the account to the Treasurer's monthly report.

- Each office should establish separate cash drawers for all employees receiving cash and funds should be reconciled to collections each day.
- All monies collected should be deposited daily.
- Bank reconciliations should be reviewed and approved by someone other than the preparer.

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. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Further, OSAI recommends that each office comply with Title 19 O.S. § 682, which requires all funds received under the color of office be deposited on a daily basis. All funds received should be receipted at the time of receipt by employees.

Management Response:
County Assessor: Due to the limited personnel we are unable to adequately segregate duties. To provide the best possible service to our customers all available personnel will issue receipts.

Election Board Secretary: Management chose not to respond.

County Clerk: I will attempt to segregate the duties of the receipting process.

Current County Sheriff: We are currently working to correct these issues.

Court Clerk: These issues are currently being corrected in my office.

County Treasurer: I will have the bank reconciliations reviewed and approved.

Auditor Response: Although the Assessor's office is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates.

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 receipting, reconciling the cash drawer, preparing and making deposits, and reconciling account balances should be segregated.

Objective 11:	To determine the County Court Clerk's financial operations complied with 19 O.S. § 220 and 20 O.S. § 1304, which outlines procedures for expending Court Clerk Revolving Fund monies and Court Fund monies, respectively.

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. § 220, which outlines procedures for expending Court Clerk Revolving Fund monies. With respect to the items tested, the County complied with 20 O.S. § 1304, which outlines procedures for expending Court Fund monies. However, internal controls over the Court Clerk Revolving Fund and the Court Fund should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to expending Court Clerk Revolving Fund monies and Court Fund monies, which included discussions with County personnel, observation, and review of documents.

- Tested a sample of ten Court Clerk Revolving Fund expenditures for compliance with 19 O.S. § 220 and determined:
  - Expenditures were made for the lawful operation of the office.
  - Claims were approved by the Court Clerk and either the District or Associate District Judge.

- Tested a sample of fifty-eight Court Fund expenditures for compliance with 20 O.S. § 1304 and determined:
  - Expenditures were made for the operation of the court.
  - Claims were approved by the District Judge and either the Court Clerk or the Associate District Judge.

Finding: Inadequate Internal Controls Over Court Clerk Revolving Fund and Court Fund Duties and Noncompliance with Statute

Condition: Upon inquiry, observation, and testing of the Court Clerk Revolving Fund and Court Fund, the duties regarding the receipting and expenditure processes are not adequately segregated.

We also noted the following:

- There is no segregation of duties in the expenditure process for the Court Clerk Revolving Fund and Court Fund. The expenditure process is performed solely by the Court Clerk.
- Court Clerk Revolving Fund vouchers were issued but not registered with the County Treasurer.
- The Court Clerk Revolving Fund was not reconciled to the County Treasurer; a variance of $4,527.63 was noted at June 30, 2011.

After performing testwork regarding Court Clerk Revolving Fund expenditures, the following was noted:

- Eight were not properly approved for payment.

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

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

Recommendation: OSAI recommends that procedures be developed to separate key functions of the Court Clerk Revolving Fund and Court Fund expenditure process. 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. Also, OSAI recommends that all Court Clerk Revolving Fund expenditures are approved as required by Title 19 O.S. § 220.

Management Response:
Court Clerk: Vouchers are now registered in the Treasurer's office. I will review the auditor recommendation regarding segregation of duties for the expenditure process for future implementation. At this time I will continue to perform all duties regarding the expenditure process to ensure funds are expended properly. Court Clerk Revolving Fund claims will be properly approved for payment. In addition, I am currently working with the Treasurer to resolve the variance in the Court Clerk Revolving Fund.

Auditor Response: The key functions of the Court Clerk Revolving and Court Fund expenditure process are not properly segregated.

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, approving the claim, preparing the vouchers, signing the vouchers, and reconciliation of the accounts 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: Inadequate County-Wide Controls

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

Cause of Condition: Procedures have not been designed to address risks of the County.

Effect of Condition: This condition 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 of control activities over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:
District 1 Commissioner: I concur with auditor recommendation and will try to implement.

Current District 2 Commissioner: The County will review auditor recommendation and will take every possible step to ensure the County is adequately addressing risk and monitoring.

District 3 Commissioner: We will review the auditor recommendation.

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 made. 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 including 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.

Documenting and monitoring internal controls are valuable tools in determining that controls are in place and operating effectively.

Finding: Disaster Recovery Plan

Condition: Upon inquiry, the following offices do not have a written Disaster Recovery Plan:

- County Commissioners District 1, 2, and 3
- County Clerk
- County Treasurer
- County Assessor
- Court Clerk
- County Sheriff

Cause of Condition: Policies and procedures have not been designed and implemented to prepare a formal Disaster Recovery Plan.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted.

Recommendation: OSAI recommends the County officials develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function;
- Listing of service providers and vendors;
- Information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation; and
- Alternative work locations once IT resources are available.

Management Response:
District 1 Commissioner: I concur with auditor recommendation and will try to implement.

Current District 2 Commissioner: The County will review auditor recommendation and will take every possible step in ensure that the County is adequately prepared in the event of a disaster.

District 3 Commissioner: We will review auditor recommendation.

County Clerk: We will develop a disaster recovery plan.

County Treasurer: I will try to implement auditor recommendation.

County Assessor: A plan for my office has recently been drafted and submitted to the County.

Court Clerk: Management chose not to respond.

Current County Sheriff: Management chose not to respond.

Criteria: An important aspect of internal controls is the safeguarding of assets, which includes adequate Disaster Recovery Plans. 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 in a county being unable to function in the event of a disaster.

Other Items Noted:

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

Finding: Conflict of Interest/Noncompliance with State Statutes – Purchases from Excise Board Member

Condition: During our audit, it was brought to our attention that the County was purchasing items from a business owned by a County Excise Board member. During the period, of July 2, 2007 thru June 9, 2009, District 3 County Commissioner made purchases totaling $57,410.34, including fuel, supplies, and lunch for inmates at a local business owned by a County Equalization/Excise Board member. On June 10, 2009, the Equalization/Excise Board member resigned.

Cause of Condition: Procedures to ensure compliance with state statutes have not been adequately implemented.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in misappropriation of funds.

Recommendation: OSAI recommends the County implement procedures to ensure compliance with state statutes. Additionally, OSAI recommends the proper authorities review this finding to determine if further action is necessary.

Management Response:
District 3 Commissioner: This practice was discontinued upon notification of conflict with state statute.

Auditor Response: This practice was discontinued at the time the Equalization/Excise Board member resigned his position.

Criteria: Title 68 O.S. § 2861(G) and 68 O.S. § 3005(B) states in part, "that it shall be unlawful for any member of the county equalization or excise board to sell or contract to sell, or to lease or contract to lease, or to represent any person, firm, corporation or association in

> the sale or the lease of any machinery, supplies, equipment, material, or other goods, wares, or merchandise to any county or city or town of the county."

Finding: Unauthorized Disposition of County Property/Noncompliance with State Statutes

Condition: During our audit, the following was noted with regard to disposing of surplus property:

- On December 3, 2010, District 2 County Commissioner listed the following three pieces of county equipment with an on-line auction service:

    - John Deere 770BH motor grader.
    - IHC 7400 dump truck.
    - Chevrolet C70 truck.

    The John Deere motor grader and IHC dump truck were sold for $27,000.00 and $20,000.00, respectively. The Chevrolet truck did not sell. These items were not declared surplus or advertised for bid.

- On July 14, 2008, a resolution was approved by the BOCC for District 2 County Commissioner to surplus and sell, at auction, a 2000 Hyundai car. This vehicle was purchased from a citizen after it was hit by a county vehicle while parked at the county barn. A verbal estimate was obtained by the citizen and presented to the Commissioner. The Commissioner felt the estimate to fix the vehicle was more than the value of the vehicle; therefore, it was purchased from the citizen for $2,500.00. On July 18, 2008, the vehicle was sold at auction for $1,050.00 less commission of 180.00. Bids were not solicited to sell the vehicle.

- On February 17, 2011, District 2 County Commissioner sold a 2002 Ford pick-up at an auction in McAlester, OK. The vehicle was sold prior to it being declared surplus in an open meeting, on February 22, 2011, and bids were not solicited to sell the vehicle.

Cause of Condition: Procedures to ensure compliance with state statutes have not been adequately implemented.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in misappropriation of funds.

Recommendation: OSAI recommends the County implement procedures to ensure compliance with state statutes.

Management Response:
Current District 2 Commissioner: More emphasis will be placed on adherence to state statutes.

Criteria: Title 19 O.S. § 178.1 outlines the requirement for a continuous inventory, 19 O.S. § 421 outlines the requirement for the disposition of county property to be entered in minutes, and 19 O.S. § 421.1 outlines the requirements for the disposing of county property to be advertised.

Finding: Noncompliance with State Statutes Regarding Highway Fund Expenditures

Condition: During the audit period, the following expenditures were paid from highway funds:

- District 2 paid utilities in the amount of $18,679.25 from June 2008 through October 2012, for two community centers located in the district.
- District 2 paid $5,775.53 for labor and supplies related to a welding project to one community center located in the district from June 2011 through August 2012.
- District 3 paid utility bills in the amount of $2,547.74 for a community center located in the district from January 2008 through October 2011.

In addition, the BOCC secretary accepted rental fees of community buildings and these monies were not deposited in a timely manner. No ledger was maintained to account for community center funds received and expended.

OSAI reviewed the Treasurer's apportionment ledger and miscellaneous receipts from July 1, 2007 through November 30, 2012 and determined monies received for community center rentals were deposited and apportioned to the highway fund. A total of $4,360.50 in rental fees collected from community centers in District 2 was apportioned to the highway fund.

Cause of Condition: Procedures have not been implemented to ensure highway funds are used only for the purpose for which it was designated.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends the County implement procedures to ensure highway funds are used only for the purpose for which it was designated.

Management Response:
Current District 2 Commissioner: This issue has been corrected. A separate fund has been established to account for community center funds.

Commissioner District 3: This issue has been resolved.

Criteria: Effective internal controls require that management properly implement procedures to ensure that the county complies with 69 O.S. § 601 and 69 O.S. § 1503.

OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV