

OPERATIONAL AUDIT

# BLAINE COUNTY

For the period July 1, 2009 through June 30, 2011



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**BLAINE COUNTY OPERATIONAL AUDIT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

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# Oklahoma State Auditor & Inspector

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March 14, 2012

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

Transmitted herewith is the audit report of Blaine County for the period July 1, 2009 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,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**BLAINE COUNTY  
OPERATIONAL AUDIT**

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**Background**

Originally designated as “C” County in 1890, Blaine was adopted as the county name in November 1892, in honor of James G. Blaine, U.S. Senator, House Speaker, and Republican presidential candidate in 1884.

Blaine County is the site of the first gypsum mill in Oklahoma Territory, the Ruby Stucco Mill. Southard, located in the north central part of the county, is the site of one of the purest gypsum deposits in the United States. The U.S. Gypsum Company is the largest industrial plant in the county.

The International Association of Rattlesnake Hunters has headquarters in Okeene, which is also the site of its Jaycees Annual Rattlesnake Hunt. The Canton Lake Walleye Pike Rodeo and Fishing Derby occur annually. Roman Nose State Park is located seven miles north of Watonga.

County Seat –Watonga

Area – 938.88 Square Miles

County Population – 12,609(2009 est.)

Farms – 862

Land in Farms – 585,908 Acres

*Primary Source: Oklahoma Almanac 2011-2012*

**County Officials:**

Melba Nance..... County Commissioner District 1  
Jonathan Cross..... County Commissioner District 2  
Raymond Scheffler..... County Commissioner District 3  
Ronda Greer..... County Assessor  
Linda McPherson.....County Clerk  
Cynthia Scheffler..... Court Clerk  
Rick Ainsworth..... County Sheriff  
Donna Hoskins..... County Treasurer

**BLAINE COUNTY  
OPERATIONAL AUDIT**

	Beginning Cash Balance July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balance June 30, 2011
<b>Combining Information</b>				
County General Fund	\$ 1,364,301	\$ 3,109,325	\$ 1,994,799	\$ 2,478,827
County Highway Cash	1,484,777	3,776,768	3,368,228	1,893,317
Sheriff Service Fee	68,303	198,251	139,761	126,793
County Health Department	147,142	178,189	178,597	146,734
General Obligation Sinking	5	172,719	4,674	168,050
Enhanced 911	103,851	124,609	10,126	218,334
Remaining Aggregate Funds	484,586	336,917	336,161	485,342
<b>Combined Total – All County Funds</b>	<b>\$ 3,652,965</b>	<b>\$ 7,896,778</b>	<b>\$ 6,032,346</b>	<b>\$ 5,517,397</b>

*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, 2009 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.

<b>Objective 1:</b>	To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer’s monthly reports for FY 2011.
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**Conclusion**

With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer’s monthly reports.

**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 the bank reconciliations at June 30, 2011, to determine that all reconciling items were valid, that the reconciled balances agree to the General Ledger ending balances, and the General Ledger's ending balance total agreed to the total ending balance reflected on the County Treasurer's monthly reports.

**Observation**

**Inadequate Internal Controls over the County Treasurer's Monthly Reports**

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.

- Upon inquiry and observation of the recordkeeping process, the following was noted:
  - The County Treasurer's monthly reports are compiled from an information system in which the County Treasurer and two deputies perform daily activity using the information system such as issuing receipts and posting disbursements.
  - The reconciliation process of apportioned receipts, disbursements, and cash balances between the County Treasurer and County Clerk was not documented and maintained by either of the officials.

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

**Recommendation**

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.

Further, in the event that segregation of duties is not possible due to the limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and

having management review and approval of accounting functions which would provide independent oversight of the accuracy of the County Treasurer's monthly reports.

**Management  
Response**

Between the County Treasurer and County Clerk, both of us sign off and date the ledger sheet that we are balancing that month. They are kept in the County Clerk's Office.

**Objective 2:** To determine if the County's internal controls provide reasonable assurance that revenues were accurately reported in the accounting records.

**Conclusion**

The County's internal controls do not provide reasonable assurance that revenues were accurately reported in the accounting records.

**Methodology**

To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the receipting process through discussions with County personnel, observation, and review of documents.

**Observation**

**Inadequate Segregation of Duties over the Receipting Process**

Accountability and stewardship are overall goals of management in the accounting of funds. 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.

Upon inquiry and observation of the receipting process for each office, the following was noted:

**County Treasurer's Office:** The County Treasurer and two employees issue receipts maintain one cash drawer and the person preparing the deposit issues receipts and reconcile the bank accounts.

**County Clerk's Office:** The County Clerk has one employee that issues some of the receipts, reconciles the cash drawer, prepares the deposit, takes the deposit to the County Treasurer, and reconciles the account.

**County Assessor's Office:** The County Assessor has two employees that issue receipts, reconcile the cash drawer, prepares the deposit, and takes the deposit to the County Treasurer.



**County Sheriff's Office:** The County Sheriff has one employee that issues receipts, reconciles the cash drawer, prepares the deposit, and takes the deposit to the Treasurer.

**Court Clerk's Office:** All Court Clerk employees receipt money from the same cash drawer. The next morning one employee balances the cash drawer, prepares the deposit, and takes the deposit to the County Treasurer.

A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation**

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

Further, the following duties should be separated in the respective offices:

**Treasurer's Office:** Employees should not all work from the same cash drawer. The person preparing the deposit slips should not issue receipts or reconcile the bank statements.

**Clerk's Office:** Employees should not all work from the same cash drawer. The duties of issuing receipts, reconciling the cash drawer, preparing the deposit, taking the deposit to the County Treasurer, and reconciling the account to the Treasurer should be performed by different individuals.

**Assessor's Office:** One person should not be performing all of the duties regarding opening mail, issuing receipts, preparing the deposit, and delivering the deposit to the County Treasurer's Office.

**Sheriff's Office:** One employee should not be performing all of the duties of issuing receipts, preparing the deposit, and delivering the deposit to the County Treasurer's Office.

Further, the County Sheriff should implement policies and procedures to issue pre-numbered duplicate receipts for all funds received and that reconciliation between amount to be deposited and receipts be performed on a daily basis.

**Court Clerk's Office:** Employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the deposit, and taking the deposit to the Treasurer should be performed by different individuals.

**Management  
Response**

**County Treasurer's Office**

- Each employee will have a \$100.00 cash drawer and the County Treasurer will maintain a \$200.00 cash drawer. The Treasurer will do random checks and balances on each drawer.
- Two employees do the deposits and one person takes it to the bank. The one that goes to the bank gives the bank deposit with tellers stamp to the other employee so they can verify the deposit made.

**County Clerk's Office**

- There are two or more employees that open the mail, issue receipts, reconcile the cash drawer, prepare the deposit, take the deposit to the Treasurer and reconcile the account each day.
- The daily balancing and reconciling of monies is always checked by a second and sometimes a third employee and signed by that employee.
- Monthly reconciliations are done periodically by a different employee who balances with the Treasurer again before checks or vouchers are written.
- Each step of the filing process is monitored daily, ensuring that not one person alone has the complete control of daily work, ensuring proper accountability of funds and filing of documents.
- A spreadsheet with the initials of the deputy will be kept to show the daily activities and will be monitored.
- There is a continual training of new employees and cross training employees as time permits to do so and still serve the public.

**County Assessor's Office**

- All Assessor employees issue receipts. At the end of business each day, one employee will reconcile the cash drawer. One employee reconciles the receipt back to make sure the amounts are the same. Then another employee prepares the deposit and takes it to the Treasurer. These duties are rotated on a daily basis.

**County Sheriff's Office**

- The County Sheriff will utilize the staff on duty to issue receipts, reconcile the cash drawer, prepare the deposit and take it to the Treasurer. These duties will be separated out and done on a rotational basis.

**Court Clerk's Office**

- All Deputy Court Clerks' who issue receipts for cash, record the number and denominations of monies received and change given on each receipt.
- One deputy is not responsible for counting the cash drawer and initialing the cash reconciliation ticket.
- A second deputy will prepare, sign the deposit report, and reconcile the total amount to be deposited.
- A third deputy will be responsible for accounting for total receipts, reconciling that amount to the daily deposit amount and taking the deposit to the County Treasurer.
- Monthly reconciliation reports are prepared by a fourth deputy.

**Objective 3:** To determine if the County's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records.

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

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

- Gained an understanding of the internal controls related to the expenditure process through discussions with County personnel, observation, and review of documents.
- Tested controls over the cash voucher process which included a test of 45 cash vouchers.
  - Ensuring that claims reflected authorized signatures for the requisitioning officer, receiving officer, and approval for payment by a majority of the Board of County Commissioners.
  - Ensuring that claims were signed by the County Clerk attesting all supporting documentation was attached to claim prior to submission for payment.

**Observation:** **Inadequate Segregation of Duties over the Expenditure Process**

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 expenditures. To help ensure a proper accounting of funds, the duties of encumbering the funds, ordering goods, receiving goods, printing the warrants, stamping/signing the warrants, and distributing the warrants should be separated.

Upon inquiry and observation of the expenditure process, it was determined that:

- The receiving agents in the Commissioner's districts are also the individuals who place the orders with vendors.
- The County Purchasing Agent is not purchasing goods/services for the County.

A single person having responsibility for more than one area of the purchasing process could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation**

OSAI recommends management be aware of these conditions and determine how to properly segregate duties. OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

**Management  
Response**

A Purchasing Agent has been appointed. She is doing the purchasing of goods and services for the County.

**Observation**

**Inadequate Segregation of Duties over the Court Fund Expenditures Process**

Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of preparing a claim, writing a voucher, signing a voucher, and preparing the monthly report which reconciles to the General Ledger should be separated.

Upon inquiry and observation of court fund expenditures, one individual prepares the claim, writes the voucher, signs the voucher, and prepares the monthly report which reconciles to the County Treasurer.

**Recommendation**

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

Further, the duties of preparing claims, issuing vouchers, signing vouchers, and preparing monthly reports should not be performed by one individual.

**Management  
Response**

**Court Clerk's Office**

- Claims will be prepared by a receiving deputy and reviewed by the Court Clerk.
- Vouchers will be prepared by another deputy and signed by the Officer.
- A third deputy will register the vouchers within the County Treasurer and mail them.
- Monthly reconciliation procedures will be performed by the deputy who reconciles the monthly depository account.

Objective 4: To determine if the County's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

**Conclusion**

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

**Methodology**

To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the payroll expenditures process, which included discussions with County personnel, observation, and review of documents.

**Observation**

**Inadequate Segregation of Duties Over Payroll Expenditures**

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

Upon inquiry and observation of the payroll expenditure process, the following was noted:

- The payroll clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares the OPERS reports and state and federal tax reports.

A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in

unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

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

Further, the duties of enrolling new hires, posting withholdings, maintaining personnel files, reviewing timesheets, initiating the payment of payroll, maintaining custody of blank checks, printing payroll, posting to accounting records, preparing reports and distributing payroll checks should be adequately segregated.

**Management  
Response**

**County Clerk**

- Cross training is an important component in segregating duties and instituting internal controls. Currently, there are two additional employees that have been involved in the cross training process.
- At a minimum, two employees are involved in doing payroll, which helps provide cross checks and accountability. Computer ledger sheets are always printed at the end of each month by the accounts payable clerk and are balanced with each office. This report includes payroll figures.
- The reports will show the initials of the two or three different deputies that are actually doing payroll at the time. This should provide adequate monitoring of the payroll process.

**Objective 5:** To determine if the County's internal controls provide reasonable assurance that inventories were accurately reported in the accounting records.

**Conclusion** The County's internal controls do not provide reasonable assurance that fixed assets and consumable inventories were accurately reported in the accounting records.

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

- Gained an understanding of internal controls related to the inventory process through discussions with County personnel, observation, and review of documents.

**Observation**

**Inadequate Internal Controls over Fixed Assets**

An important aspect of internal controls is the safeguarding of assets which includes adequate segregation of duties. 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 acquisition, use, or disposition of fixed assets and safeguard fixed assets from loss, damage, or misappropriation.

Upon inquiry and observation of the recordkeeping processes regarding fixed assets, the following was noted:

**County Treasurer:** The County Treasurer's office has not designed and implemented a formal annual inventory of fixed assets.

**County Clerk's Office:** The County Clerk's office lacks adequate segregation of duties over the inventory process because the same employee is the receiving officer and the inventory officer. The inventory officer prepares inventory cards, marks new equipment with county identification numbers, and performs the annual physical inventory.

**County Assessor's Office:** The Assessor's office performs an annual physical inventory of fixed assets; however, there is a lack of segregation of duties over fixed assets inventory because the same employee prepares inventory cards, marks new inventory with county identification numbers, and performs an annual physical inventory count.

**County Sheriff's Office:** The County Sheriff's office lacks adequate segregation of duties over the inventory process because the same employee is the receiving officer and the inventory officer. The inventory officer prepares inventory cards, and marks new inventory with county identification numbers. The Sheriff's office has not designed and implemented a formal annual inventory of fixed assets.

**Court Clerk's Office:** The Court Clerk's office lacks adequate segregation of duties because the same employee prepares inventory cards, marks new inventory with county identification numbers, and performs an annual physical inventory count.

**County Commissioner District 1:** District 1 lacks adequate segregation of duties over fixed assets because the same employee is the receiving officer and the inventory officer. The inventory officer prepares inventory cards, marks new inventory with county identification numbers, and performs annual physical inventory counts.

**County Commissioner District 2:** District 2 lacks adequate segregation of duties over fixed assets because the same employee is the receiving officer and the inventory officer. The inventory officer prepares inventory cards, marks new inventory with county identification numbers, and performs annual physical inventory counts.

**County Commissioner District 3:** District 3 lacks adequate segregation of duties over fixed assets because the same employee is the receiving officer and the inventory officer. The inventory officer prepares inventory cards, marks new inventory with county identification numbers, and performs annual physical inventory counts.

Failure to maintain accurate records of fixed asset inventories, failure to adequately segregate the duties of receiving, maintaining and physical verification of fixed assets, and failure to perform a periodic physical inventory of fixed assets could result in inaccurate records, unauthorized use of fixed assets, or misappropriation of fixed assets.

**Recommendation**

OSAI recommends that each County office implement procedures to accurately maintain fixed asset records and segregate the duties over fixed assets. Records should be maintained in such a manner that assets can be identified by serial number, date of acquisition, and purchase price. Further, an annual verification of fixed asset items should be performed to properly account for fixed assets.

**Management  
Response**

**Fixed Asset Inventory**

**County Clerk's Office**

- The inventory control deputy will be separate from the receiving officer duties. The inventory cards will be prepared, new inventory will be identified with a County identification number and entered into the inventory and fixed assets program with KellPro and TM Consulting.
- A quarterly formal inventory will be performed, documented, signed and dated by deputy or officer.

**County Assessor's Office**

- Receiving officer will receive inventory, the first deputy will prepare the inventory card and mark new inventory with County identification number. A formal annual fixed assets inventory will be performed, documented, signed and dated by the deputy or Officer.

**County Sheriff's Office**

- Each year, the County Sheriff's Office designates two employees as receiving officers. Both employees will do receiving and inventory



control. Both employees will prepare inventory cards, mark new inventory with County identification numbers.

- A formal annual inventory will be performed, documented and verified by the County Sheriff and/or Under Sheriff. This inventory will be signed and dated by person conducting the inventory.

**Court Clerk's Office**

- Officer will assign inventory identification, enter asset in KellPro Inventory program and print inventory card. A receiving deputy will mark asset with identification number and check inventory record for accuracy.
- A formal inventory of assets will be conducted in the months of July and December each year, documented, dated and signed.

**County Treasurer's Office**

- A formal annual inventory that will include date and verification and signature will be completed by the Officer and a deputy.
- A copy of the documentation will be provided to the County Clerk for her files at the time of inventory.

**County Commissioner District 1**

- The receiving clerk will receive the inventory and enter it on the inventory cards and into the KellPro Inventory program. A second employee will assign and affix the identification number. A third employee will conduct an annual inventory, and the Commissioner will verify, document, and date the inventory.

**County Commissioner District 2**

- The receiving clerk will receive the inventory and enter it on the inventory cards and into the KellPro Inventory program. A second employee will assign and affix the identification number. A third employee will conduct an annual inventory, and the Commissioner will verify, document, and date the inventory.

**County Commissioner District 3**

- The receiving clerk will receive the inventory and enter it on the inventory cards and into the KellPro Inventory program. A second employee will assign and affix the identification number. A third employee will conduct an annual inventory, and the Commissioner will verify, document, and date the inventory.

**Observation**

**Inadequate Internal Controls over Consumable Inventories**

An important aspect of internal controls is the safeguarding of assets which includes adequate segregation of duties. 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 acquisition, use, or disposition of fixed assets and safeguard fixed assets from loss, damage, or misappropriation.

Upon inquiry and observation of the recordkeeping processes regarding consumable inventories, the following was noted:

**County Commissioner District 1**

- Fuel logs are not maintained to track fuel consumption.
- Two fuel cards are kept at Wheeler Brothers Cooperative, and not secured by the County.
- The fuel vendor does not maintain an authorized employee list for fuel purchases.
- Occasionally, fuel tickets are not signed by employees.
- District 1 lacks adequate segregation of duties over consumable inventory, because one individual receives inventory, maintains consumable records, and carries out physical count of consumable inventory.

**County Commissioner District 2**

- District 2 lacks adequate segregation of duties over consumable inventory because one individual receives inventory, maintains consumable records, and carries out physical count of consumable inventory.

**County Commissioner District 3**

- Consumable inventory records are not maintained.
- Fuel logs are not maintained to track fuel consumption.
- The fuel vendor does not maintain an authorized employee list for fuel purchases.

Failure to maintain accurate records of consumable inventories, to adequately segregate duties over consumable inventory and failure to perform a periodic physical inventory of consumable inventories, could result in inaccurate records, unauthorized use of consumable inventories, or misappropriation of consumable inventories.

**Recommendation**

OSAI recommends that each district implement internal control procedures for the accurate reporting of consumable inventories including adequately segregating the duties. Records should be maintained for all consumable

inventory items in an accurate manner that reflects consumable inventory by category and reflects current balances. Further, a periodic physical verification of consumable inventories should be performed and reconciled to inventory records.

**Management  
Response**

**County Commissioner District 1**

- The consumable inventory program will be modified as follows: there are two receiving clerks. One receiving clerk will receive the consumable items, the second will enter the items and maintain the consumable records and the foreman will carry out the physical count of inventory. When issuing consumable items to a project, the receiving clerk will prepare and sign the transfer document, the employee utilizing the consumable item will sign the transfer document, the foreman and Officer will verify, by signature, that the transfer was in fact made. A quarterly audit of consumable inventory will be performed, on a rotational basis, by the Commissioner's Assistant from either District 2 or District 3.
- Fuel logs will be maintained to track fuel consumption.
- Fuel cards that are kept at the vendor's location will be secured by the vendor and will not be given to anyone not on the authorized employee list.
- A current list of authorized employees will be provided to the wheel vendor.
- Every effort will be made to ensure that fuel tickets are signed by employees.

**County Commissioner District 2**

- The consumable inventory program will be modified as follows: there are two receiving clerks. One receiving clerk will receive the consumable items, the second will enter the items and maintain the consumable records and the foreman will carry out the physical count of inventory. When issuing consumable items to a project, the receiving clerk will prepare and sign the transfer document, the employee utilizing the consumable item will sign the transfer document, the foreman and Officer will verify, by signature, that the transfer was in fact made. A quarterly audit of consumable inventory will be performed, on a rotational basis, by the Commissioner's Assistant from either District 1 or District 3.

**County Commissioner District 3**

- The consumable inventory program will be modified as follows: there are two receiving clerks. One receiving clerk will receive the consumable items, the second will enter the items and maintain the consumable records and the foreman will carry out the physical count of inventory.

When issuing consumable items to a project, the receiving clerk will prepare and sign the transfer document, the employee utilizing the consumable item will sign the transfer document, the foreman and Officer will verify, by signature, that the transfer was in fact made. A quarterly audit of consumable inventory will be performed, on a rotational basis, by the Commissioner's Assistant from either District 1 or District 2.

- Fuel logs will be maintained to track fuel consumption.
- The fuel vendor will be provided an authorized employee list for fuel purchases.

**Objective 6:** 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 internal controls related to pledged collateral through discussions with the Treasurer, observation, and review of ledgers and documents.
- Tested compliance of the significant law which included the following:
  - Compared the largest balances per month for each of the financial institutions to the amount of pledged collateral to determine that deposits were adequately secured.

**Observation** **Inadequate Internal Controls over Pledged Collateral**

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.

The County Treasurer has not properly designed and implemented internal controls related to pledged collateral. The Treasurer does not monitor pledged

collateral amounts to daily bank balances to ensure that county funds are adequately secured.

Further, County funds were not adequately pledged at two of the financial institutions for five of the eighty-five days tested.

Failure to monitor pledged collateral amounts could result in unsecured county funds and possible loss of county funds.

**Recommendation**

OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that county funds are adequately secured. OSAI recommends the County Treasurer monitor pledged collateral amounts to bank balances on a daily basis to ensure that county funds are adequately secured. Further, OSAI recommends the County Treasurer comply with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

**Management  
Response**

My bookkeeping program shows daily the percentage of free pledged collateral in each bank. The problem is during December collections and being closed for holidays. I will keep on top of the collections to make sure we are not under-pledged during the closing of our holidays and the banks holidays.

**Objective 7:**

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.

**Methodology**

To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of apportioning sales tax collections through discussions with County personnel, observation, and review of documents.
- Reviewed the sales tax ballots to determine designation and purpose of sales tax collections. The sales tax ballot specifies only that the

collections "...be deposited to the general fund for the purpose of maintaining and operating the Blaine County courthouse and jail."

- Tested compliance of the significant law which included the following:
  - Obtained confirmations from the Oklahoma Tax Commission for sales tax payments made to the County and confirmed the amounts were apportioned by the County Treasurer into the appropriate fund.

**Objective 8:** 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 among the different funds to which they belong.

**Methodology** To accomplish our objective, we performed the following:  
  
Gained an understanding of internal controls related to the process of apportioning and distributing ad valorem tax collections through 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 to determine the County Treasurer applied the certified levies, as fixed by the Excise Board of Blaine County, to the tax rolls.
  - Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

**Observation** **Inadequate Internal Controls over Ad Valorem Tax Apportioned and Distributed**

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.

- Upon inquiry and observation of the recordkeeping process of apportioning and distribution ad valorem tax, supporting documentation of independent

oversight of the County Treasurer applying the certified levies to the tax rolls, does not reflect a signature or a date of when the independent oversight was performed for the two ad valorem tax years.

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

**Management  
Response**

My computer program with CCAP OSU has a check and balance with the Assessor's Office, to make sure both of us have put in the same levies for each school district. If one of us is wrong, it will not let us continue. A report is run from the County Treasurer's Office of each school district and it is kept in the County Treasurer's Office. I will have the Assessor sign off on that report after tax rolls are certified to me.

All objectives:

**Observation**

**Inadequate County-Wide Controls**

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

Control Environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding of internal controls and the communication of this importance to its employees are key elements of the control environment.

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.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A County must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the County needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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 and control monitoring part of their regular operating processes.

County-wide controls regarding Risk Management and Monitoring have not been designed. This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation**

OSAI recommends that the County implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives. This system should define the objectives of the County, the risks the County could possibly face, control activities to reduce or eliminate those risks, and monitoring to assess the effectiveness of those activities.

**Management  
Response**

Blaine County will be implementing a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives recommended by the Oklahoma State Auditor & Inspector's Office. This documented system will define the objectives, identify the risk and control activities to reduce or eliminate those risks and monitor the effectiveness of these activities. These internal controls will be implemented County wide, with management of each office by appropriate officials and will be documented in each office as part of their procedure manuals. These internal controls will help



address the continual problem of inadequate segregation of duties brought on by low volume of employees. This system of internal controls are designed by each office, and in some cases, are in direct response to the observations and recommendations of the Oklahoma State Auditor & Inspector.

Other Item Noted:

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

**Observation**

**Custody of Inmate Trust Funds**

19 O.S. § 531 states in part, "...the county sheriff may establish a checking account, to be designated the 'Inmate Trust Fund Checking Account,' to be managed by the county sheriff." It also states in part, "The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account.

The inmate funds for commissary items are not in the custody of the county sheriff. The funds are released at the inmates' request to the local grocery store. An employee of the grocery store maintains records of the funds available and used for each of the inmates.

The absence of appropriate accounting records reduces effective custodial control over inmate trust funds and may increase the risk of errors going undetected and possible misappropriation of funds.

**Recommendation**

OSAI recommends that the Sheriff establish an Inmate Trust Fund Checking Account and issue pre-numbered duplicate receipts for all inmate funds received and deposit those funds on a timely basis.

**Management  
Response**

The funds for commissary of the inmates are received by the provider from the person purchasing the commissary. The funds are not received by the County Sheriff's Department. When an inmate requests to use monies that he was booked in with, the procedure to do so requires a written request from the inmate with the money amount documented. Documentation of transferred monies to the provider is given to the inmate and a copy placed in the book-in file. The County Sheriff's Department is meeting with Tiger's Commissary as a way to provide commissary. The start-up date should be February 1, 2012. The start-up date involves contract changes that have to be honored with the present inmate phone system.



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