

OPERATIONAL AUDIT

# CIMARRON COUNTY

For the period July 1, 2008 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 Jones, CPA, CFE

**CIMARRON COUNTY OPERATIONAL AUDIT  
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

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# Oklahoma State Auditor & Inspector

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January 24, 2012

## **TO CIMARRON COUNTY**

Transmitted herewith is the audit report of Cimarron County for the period July 1, 2008 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, appearing to read "Gary A. Jones", is written over a horizontal line.

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



**CIMARRON COUNTY  
OPERATIONAL AUDIT**

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

	Beginning Cash Balance July 1, 2010	Receipts Apportioned	Disbursements	Transfers In/ Transfers Out	Ending Cash Balance June 30, 2011
Combining Information:					
County General Fund	\$ 419,507	\$ 668,755	\$ 729,026	\$ -	\$ 359,236
County Sales Tax	40,490	450,025	463,039		27,476
County Highway Cash	3,921,988	3,265,945	3,895,984	796,975	4,088,924
CBRI - 105		1,377,938	7,200	(796,975)	573,763
Remaining Aggregate Funds	115,979	145,826	137,772		124,033
<b>Combined Total - All County Funds</b>	<b>\$ 4,497,964</b>	<b>\$ 5,908,489</b>	<b>\$ 5,233,021</b>	<b>\$ -</b>	<b>\$ 5,173,432</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, 2008 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.
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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 Treasurer's receipts to amounts apportioned on the General Ledger.
  - Reconciled the County Clerk's warrants issued to disbursements paid by the County Treasurer.
  - Reviewed the bank reconciliations at June 30, 2011, to determine the ending balances on the General Ledger agreed to the ending balances reflected on the 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 by the deputy and she also performs daily activity such as issuing receipts and posting disbursements.
- Upon inquiry of the reconciliation process between the County Treasurer and County Clerk, supporting documentation of the reconciliation is not 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 controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

OSAI recommends that the County Treasurer and County Clerk implement procedures to accurately maintain supporting documentation of monthly reconciliations.

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**

**County Treasurer:** In reviewing our procedures for balancing the County Treasurer’s general ledger with the County Clerk’s appropriation ledger, we have been completing this task, evidently just not documenting it properly. Most generally I put the apportionments on the general ledger and then my deputy compiles the monthly report to the State Auditor’s Office. A copy of this report is signed and sealed and given to the County Clerk, who then checks to make sure all funds balance with the exception of the County General and the EMS due to the fact that her records are all based on budget amounts and the Treasurer’s are all based on actual money available. To correct the issue of not having the correct documentation, we have added a section on the Treasurer’s monthly report for the Treasurer and County Clerk to sign affirming that we balance with each other.

As for balancing between the County Clerk and the Treasurer on outstanding warrants, the Deputy Treasurer will continue to add all outstanding warrants by fund and balance these totals with the County Clerk at month end as we have been doing, but we will implement a signature from the Treasurer and the County Clerk on the County Clerk’s “Unpaid Warrant Report” affirming that the offices balance.

**County Clerk:** The Treasurer files the Monthly Report of the County Treasurer monthly, to the Board of County Commissioners. I in turn will balance each of the funds to the Account Summary Report. She has added a space for each of us to sign, when we have completed the balance. This has been done monthly, but we have never documented the balancing of it.

**Objective 2:** To determine if the County’s internal controls provide reasonable assurance those 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 Internal Controls 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. 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.

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

**County Treasurer's Office:** The County Treasurer and her deputy work from the same cash drawer and record revenues. The deputy issues some receipts, balances the cash drawer, and reconciles the bank statements. The County Treasurer issues some receipts, prepares the deposits, and delivers deposits to the financial institution.

**County Clerk's Office:** The County Clerk and two deputies work from the same cash drawer. One of the deputies issues most of the receipts and balances the cash drawer. The other deputy issues some receipts, prepares the deposit, and delivers the deposit to the County Treasurer.

**County Assessor's Office:** The County Assessor does not maintain a cash drawer. One employee is responsible for issuing receipts, balancing cash and checks to receipts, preparing the deposit, and delivering the deposit to the County Treasurer.

**Court Clerk's Office:** The Court Clerk and two deputies work from the same cash drawer. One of the deputies issues receipts and prepares the deposit. The Court Clerk balances the cash drawer and delivers the deposit to the County Treasurer.

**County Sheriff's Office:** The County Sheriff does not maintain a cash drawer. The day-shift dispatcher is responsible for issuing receipts, balancing cash and checks to receipts, and preparing the deposit to the County Treasurer.

**County Sheriff Inmate Trust:** The County Sheriff does not maintain a cash drawer. Dispatchers do not issue receipts for inmate money and inmate funds are not maintained in a bank account.

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 office:

**County Treasurer's Office:** Employees should not all work from the same cash drawer. Employees issuing receipts should not record revenues, balance the cash drawer, prepare deposits, deliver deposits to the financial institution, and reconcile bank statements.

**County Clerk's Office:** Employees should not all work from the same cash drawer. Employees issuing receipts should not balance the cash drawer, prepare deposits, and deliver deposits to the County Treasurer.

**County Assessor's Office:** Employees should maintain separate cash drawers. One employee should not be performing the duties of issuing receipts, balancing receipts to cash and checks, preparing deposits, and delivery the deposit to the County Treasurer.

**Court Clerk's Office:** Employees should not all work from the same cash drawer. Employees issuing receipts should not prepare the deposit. The Court Clerk should not balance the cash drawer and deliver the deposit to the County Treasurer.

**County Sheriff's Office:** Employees should maintain separate cash drawers. One employee should not be performing the duties of issuing receipts, balancing receipts to cash and checks, and preparing deposits. With regards to the inmate trust fund, receipts should be issued at the time money is received, and daily deposits should be made at a financial institution.

**Management  
Response**

**County Treasurer:** Due to only two employees, as Treasurer, I believe that both employees need to know how to perform all duties within the office in the event that one of the employees would need to be out of the office.

We do only have one cash drawer, but I am fully aware that I, as Treasurer, need to be mindful of that and that is why we most generally work together to close

out each day. I generally do the Official Depository deposit, while my deputy does the General Fund deposit. My deputy most always delivers the deposits to the financial institution. If I enter all revenues and expenditures on the General Ledger, she compiles the Daily Report and vice versa, and we then make sure all totals balance between the two. I feel that we are segregating duties as much as possible with only two employees.

As for the reconciliation of the bank statements, my deputy always performs this task. Not myself! I only initial the statements after she has reconciled them as an internal control effort. Somehow this was misunderstood during the audit.

Official Depository deposits by officers and vouchers registered are done by both employees but my deputy balances the reconciliation reports at the month end. Once again, if one of us is out of the office, the other one has to register deposits and vouchers; there is not another option for us with only two employees.

**County Clerk:** Due to the limited personnel in my office, it is difficult to have the employees perform different duties on a daily basis. The purchasing agent is balancing the daily work and making the deposit with the Treasurer. I review the monthly reports to the Board of County Commissioners. I feel it is important that everyone learns the functions of the office, so that it can operate properly if someone is absent.

**Court Clerk:** Because of limited personnel due to budget constraints, the Court Clerk has put in place, policy and procedures to mitigate risks. The personnel of this office consist of Court Clerk and two deputies. The deputies are assigned to issue receipts from the depository account. The mail is opened by the Court Clerk and payments are distributed by her to deputies to be receipted. Receipts for walk-in customers are also done by the deputies. The small size of the office, close proximity of the desks, and openness of the office make it very difficult to receive money without issuing a receipt. When someone comes to the counter to pay cash, they are asked how much they are going to pay and everyone hears the amount. When large amounts of cash are received, the counting of the cash is witnessed by the other deputy in the presence of customer. The Court Clerk issues receipts only in an emergency. Receipts are furnished to payers with balance due shown thereon if applicable. Two deposit reports are prepared at the end of every work day which is court computer reports – one generated by date parameters and the other by receipt numbers. Every receipt item and the case associated therewith, is reviewed by the Court Clerk to be certain it is applied and disbursed to the appropriate entity in accordance with Supreme Court directive. The actual deposit amount and deposit reports are reconciled by Court Clerk each day and the reports signed and delivered by the Court Clerk to the Treasurer. The lockable cash drawer is located within four feet of the Court Clerk's desk, and is never to be left unattended unless the drawer and the office are locked. It would be much more difficult to secure separate cash drawers, and

budget and space restraints limit modifications for separate cash drawers. It is office policy that at least two people are in attendance to work every day.

**County Sheriff:** Due to budget restraints, and personnel limitations, the day shift dispatchers are responsible for daily cash deposits, and one is responsible for monthly reports. Due to low volume of inmates, and employees in the office, I do not maintain an Inmate Trust Fund. The inmate funds are recorded on the booking information, and also an inmate account sheet, where all deposits and withdrawals are accounted for and noted by the inmate. With a running balance, when an inmate is released, all monies are counted back to the inmate and the inmate signs off on the account and on the release on the booking sheets.

**County Assessor:** I wish we had a budget large enough to hire another full-time employee, but that will probably never happen. Therefore, I do not see how I can improve the functioning of this office with only one full-time staff and myself. I will begin to sign off on the balance sheet the County Clerk produces for our office at the end of each month, to insure that we balance with the Treasurer's accounts. If you have any other suggestions that would not be too time consuming, please let me know and I will try to implement them.

**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 provide reasonable assurance that expenditures were accurately reported in the accounting records.

Our review of the internal controls over Court Fund expenditures did 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 internal controls related to the expenditure process through discussions with County personnel, observation, and review of documents.
- Tested controls which included reviewing a random sample of seventy-five expenditures for the following:
  - Ensuring that claims reflected the authorized signature of the requisitioning officer.
  - Ensuring that receiving reports were attached to the claims and reflected the authorized signature of the receiving officer verifying goods and/or services were received.

- Ensuring expenditures were recorded and encumbered by the Purchasing Agent.
- Ensuring that claims were signed by the County Clerk or deputy attesting all supporting documentation was attached to the claim prior to submission for payment.
- Ensuring that claims reflected authorized signatures of the Board of County Commissioners for the approval of payment.
- Tested controls through reviewing a random sample of seventy-five cash voucher expenditures for the following:
  - Ensuring that claims were prepared by the Court Clerk's office.
  - Ensuring that claims reflected authorized signatures of the Governing Board of the Court Clerk Revolving Fund for the approval of payment.
  - Ensuring the County Clerk issued the cash vouchers and the County Treasurer registered the vouchers.

**Observation**

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

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

- Upon inquiry and observation of court fund expenditures, one individual prepares the claim, issues and signs the voucher, and prepares the monthly report which reconciles to the 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 duties of preparing claims, issuing vouchers, signing vouchers, and preparing the monthly report which reconciles with the County Treasurer should not be performed by one individual.

**Management  
Response**

**Court Clerk:** This Court Clerk took office January 3, 2005. Since that time, all money collected has been accounted for and disbursed according to law. Many cases have been filed, which cases have been managed and reported according to law. Receipting money, case management, assisting customers in person and on the phone and required office computer and paperwork are the primary duties of two office deputies and this fills their work days. Our judge does not have a secretary/bailiff or court reporter, so the Court Clerk or a deputy must be present for most court proceedings, which takes additional workday time. One deputy is paid by County funds and one is paid by the Court Fund; County and Court Fund budget restrictions have not and will not allow hiring additional employees or paying the present employees for overtime work. But the Court Clerk is not limited to, and does not limit her own amount of time worked. Ten hours being her usual workday. "Employees that issue receipts should not perform the duties of recording revenues, preparing deposit slips, depositing with the County Treasurer or financial institutions, reconciling bank statements, preparing monthly reports to the Board of County Commissioners, or reconciling official depository accounts with the County Treasurer." Therefore, among many other things, the duties of the Court Clerk must include recording revenues, preparing deposit slips, depositing with the County Treasurer and reconciling depository, court fund, and Court Clerk revolving fund accounts, revolving and court fund management, preparing monthly reports to the Board of County Commissioners and quarterly and annual reports to the Supreme Court. It is the position of the Court Clerk, that compensating controls of the court fund account are in place by the procedures required in the operation, review and reporting of the account.

No court fund claims, supporting documents, vouchers or reports were reviewed by the auditor. A review would reveal that supporting statements, data, contracts, court orders, and other documents necessary to prove the necessity and amount are attached to court fund claims and are reviewed and approved by the District Judge, in many instances, by the Associate District Judge, and must be acknowledged and signed by the Court Clerk. The court fund budget must be submitted each spring for approval by the Supreme Court, with copies of all contracts to be paid furnished with the budget for approval. Because of serious state court funding problems, all district court fund budgets have been reduced with Cimarron County's being reduced by 48% over the last three years. No payments from any expense category can exceed the amount approved by the Supreme Court. Court fund quarterly reports are prepared, balanced to the County Treasurer, approved by the District Judge, and sent to the Supreme Court. These reports contain itemized expense listings by category. At the end of every quarter, there is an amount due the state judicial fund, which is calculated using the amount of court fund collections less expenditures and applying an amount to be retained, calculated by a long-standing Supreme Court formula. A court fund claim is prepared for that amount to be paid to the Supreme Court, approved by the District Judge, and payment sent to the State Judicial Fund. This is a very

complicated process with controls and review by many others than the Court Clerk built in at every level, from the preparation and approval of the budget, to the documentation and approval process for the claims, the expense category limitations and the quarterly reports required to be made to the Supreme Court. Direct accountability to the Supreme Court is required and access to all is available to the Supreme Court without permission of the Court Clerk through the court computer system.

**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 the Payroll Expenditures**

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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

- The payroll clerk posts withholdings, maintains personnel files, initiates the payment of payroll, prints payroll, posts to accounting records, distributes payroll checks, prepares 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 posting withholdings, maintaining personnel files, initiating the payment of payroll, printing payroll, posting to accounting records, distributing payroll checks, preparing OPERS reports and state and federal tax reports should be adequately segregated.

**Management  
Response**

**County Clerk:** I am aware and review the duties of each of my employees. The duties of the payroll clerk is enrolling new hires, posting withholdings, maintaining personnel files, reviewing timesheets, initiating the payments of payroll, printing payroll, posting to accounting records and distributing payroll checks. The timesheets are given to us after each department has completed the process of all employees' time worked. The payroll clerk once again confirms the accuracy of each employee's time. Subsequently, I check all payroll documents prepared by the payroll clerk before proceeding for approval of the Board of County Commissioners. Because of limited employees, I feel we are using the maximum abilities available in keeping our records accurate.

**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 and 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 process regarding fixed assets and consumable inventories, the following was noted:

**Fixed Assets:**

- There is a lack of independent oversight of the Purchasing Agent recording fixed asset items received or disposed by offices/departments due to there being no signatures and dates of the Purchasing Agent and the respective office or department head at the time of acquisition or disposal of items.
- Annual physical counts could not be verified due to supporting documentation not being maintained by the following county officials:
  - County Clerk
  - County Assessor
  - County Commissioners for Districts 1, 2, and 3

Failure to account for and safeguard fixed asset items and failure to perform a periodic physical inventory of fixed assets could result in inaccurate records, unauthorized uses of fixed assets, or misappropriation of fixed assets.

**Consumable Inventories:**

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

Monthly physical counts of consumable inventories for Districts 1, 2, and 3 could not be verified due to supporting documentation of the physical count not being maintained.

Failure to maintain accurate records of consumable inventories 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**

**Fixed Assets:**

OSAI recommends that each County office/department implement a system of internal controls to provide reasonable assurance that fixed assets are adequately accounted for and safeguarded. Records should be maintained in such a manner that assets can be identified by serial number, date of acquisition, and purchase price.

Further, OSAI recommends the Purchasing Agent, recording fixed asset items received or disposed, sign and date the updated inventory listing and also the inventory listing be signed and dated by the proper office or department head to

ensure independent oversight of fixed asset items posted or removed from inventory records.

Annual verifications of fixed asset items should be performed to properly account for fixed assets and supporting documentation of the verification should be maintained.

**Management  
Response**

**County Commissioner District 1:** All fixed assets had been checked annually, but no written and signed documents were kept. In the future we will print the fixed assets inventory list and it will be signed by the County Commissioner, his assistant, and the purchasing agent for the County, and will be kept on record for inspection.

**County Commissioner District 2:** All fixed assets had been checked annually, but no written and signed documents were kept. In the future we will print the fixed assets inventory list and it will be signed by the County Commissioner, his assistant, and the purchasing agent for the County, and will be kept on record for inspection.

**County Commissioner District 3:** All fixed assets had been checked annually, but no written and signed documents were kept. In the future, we will print the fixed assets inventory list and it will be signed by the County Commissioner, his administrative assistant, and the purchasing agent for the County, and will be kept on record for inspection.

**County Assessor:** We will implement a new procedure to sign off on all fixed assets semi-annually.

**County Clerk:** The fixed asset inventory for Cimarron County is filed with the County Clerk. We try to keep accurate record of all changes that happen within each office. We have always balanced the records in December and June of each year. We are now having the officers and department heads sign and date the inventory sheets when they are balanced or any changes are made to the original inventory.

**Recommendation**

**Consumable Inventory:**

OSAI recommends that each district implement a system of internal controls to provide reasonable assurance that consumable inventories are accurately reported, including adequately segregating 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, reconciled to inventory records, and supporting documentation of the physical count should be maintained.

**Management  
Response**

**County Commissioner District 1:** The stock records, which include all tires, grader blades, oil, fuel, and etc..., are checked by the County Road Foreman for District 1. The stock record print out sheets are signed and kept on a file at the office of District 1. This procedure is done approximately every 60 days. The consumable records are now printed monthly, signed by the County Commissioner, and the Assistant to the County Commissioner. The original is provided to the County Clerk monthly and copies are kept in a file at the office of District 1.

**County Commissioner District 2:** The stock records, which include all tires, grader blades, oil, fuel and etc..., are checked by the County Road Foreman for District 2. The stock record print out sheets are signed and kept on a file at the office of District 2. The procedure is done approximately every 60 days. The consumable records are now printed monthly, signed by the County Commissioner, and the Assistant to the County Commissioner. The original is provided to the County Clerk monthly and copies are kept in a file at the office of District 2.

**County Commissioner District 3:** The stock records, which include all tires, grader blades, oil, fuel and etc..., are checked by the County Road Foreman for District 3. The stock record print out sheets are signed and kept on a file at the office of District 3. The original is provided to the County Clerk monthly and copies are kept in a file at the office of District 3.

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 the two banks 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 one financial institution for one of the thirty-six 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**

**County Treasurer:** Concerning pledged collateral, I was taught by my predecessor to check the collateral against the general ledger balances. I understand that the balances can be somewhat different due to outstanding items at the bank, and it is becoming more and more difficult with all the electronic payments being deposited to our accounts, sometimes it is several days before we are notified of their arrival. We recently were offered online banking, which has helped us keep a more accurate count on the electronic activity. As for the day in February 2009, in which I failed to have enough pledged collateral at High Plains Bank of Keyes, we had accounts at that institution for the County and three different school districts. We were told by the bank's Executive Vice-President,

that since each of those accounts were reported under different Federal ID numbers, that each number would be allotted the \$250,000 FDIC coverage. Therefore, we believed that we had \$1,000,000 worth of coverage in addition to the pledged collateral. I actually went as far as to ask the President of the First State Bank of Boise City if he agreed with this, and at that time he believed that would be true also. At a later date, I became concerned and began to question High Plains Bank and they then stated that I should ask my auditors about the issue, which I did. No one could confirm this, so we backed our FDIC coverage back to one \$250,000 worth of coverage just to be safe. Evidently, I should not have trusted what my bank told me, but had no reason not to at the time. I realize now that the FDIC has a website, and I could have gotten an answer from them concerning this issue. Since the audit, we have set up internet banking with both banks and we print out a bank summary at the end of each day, to confirm that we are adequately pledged. These reports will be filed for future audits.

**Objective 7:** To determine the County's financial operations complied with 68 O.S. §1370E and §1370.9, 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 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.
- 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 recalculated the amounts apportioned by the County Treasurer to ensure sales tax collections were apportioned to the proper funds.
  - Reviewed 100% of expenditures for the distribution of sales tax collections to determine funds were expended for the purpose of which such sales tax was designated.

**Observation**

**Inadequate Internal Controls over the Apportionment of Sales Tax**

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 sales tax collections, another employee does not recalculate the apportionment of sales tax collections that is presented for appropriation by the County Treasurer.

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

**Recommendation**

OSAI recommends that the County implement a system of internal controls to provide reasonable assurance that sales tax collections are accurately apportioned into the general revenue or sales tax revolving fund of the County.

Further, OSAI recommends the County Clerk recalculate the apportionment of sales tax collections that is presented for appropriation by the County Treasurer. The County Clerk should initial and date the recalculation.

**Management  
Response**

**County Treasurer:** Concerning the sales tax apportionments, the two cent tax collected for Cimarron County for the audit years of 2008-2010 was designated to the County hospital in full. There was no reason for any calculations to be done at that time. As of July 1, 2011, after a vote of the people, the sales tax was to be disbursed as follows: one and one half cent to the hospital (75%) and the other half cent to the following funds as designated by the County Commissioners, 68.5% (17.125% of the total) to the Courthouse Revolving Fund, 10.5% (2.625% of total) to the OSU Extension office, 10.5% (2.625% of total) to the Free Fair and 10.5% (2.625 % of total) to the County Library Fund. I, as County Treasurer am figuring this and showing it on my miscellaneous receipt. I am preparing a special apportionment of these funds so that the accounts may have immediate access to these funds. I attach a calculator tape, initialed and dated, to the special apportionment along with the notice from the Oklahoma Tax Commission showing the original amount electronically deposited in our bank account. The County Clerk recalculates and attaches her calculator tape, initialed and dated, to the document also.

**County Clerk:** The sales tax began new divisions between various accounts in September 2011. The County Treasurer is calculating the sales tax money according to the instructions from the Board of County Commissioners. I was in turn, checking her figures but not signing off on it. To comply with the internal control, I am now recalculating the figures of the accounts, initialing with the date and attaching the tape to the Special Apportionment.

**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 monthly 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 Treasurer applied the certified levies, as fixed by the Excise Board of Cimarron 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 distributing 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 three tax years under audit.

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

**Recommendation**

OSAI recommends that the County implement a system of internal controls to provide reasonable assurance that ad valorem tax is apportioned and distributed among the different funds to which they belong.

Further, OSAI recommends independent oversight of the employee applying the certified levies to the tax rolls to ensure levy input is accurate.

**Management  
Response**

**County Treasurer:** Since becoming County Treasurer in 2007, I have been entering the levies in the computer system and printing out the information entered. I diligently check the print-out for accuracy and have my deputy and the County Clerk review the information as well. We will adjust our internal controls to sign and date the printout as proof of ensuring accurate certified levies entered on the tax roll each year.

**County Clerk:** The County Treasurer receives the levies from the County Clerk and enters them into her system for each district. She prints out the report and has always had her Deputy and I check her figures to make sure it is entered correctly. To comply, we will now be initialing the report after the figures are checked for accuracy.

Other Item Noted:

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

**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 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 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 monitoring part of their regular operating process.

County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, 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.

**Management  
Response**

It is the duty of every elected official and employee of Cimarron County to adhere to and follow all rules and recommendations provided by the State Auditor and Inspector, concerning internal audits and controls in regard to each office or department which will be instrumental in providing the controlled environment necessary to safeguard Cimarron County assets and prevent and detect errors and fraud.



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