

OPERATIONAL AUDIT

DEWEY 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

**DEWEY 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 25, 2012

TO DEWEY COUNTY

Transmitted herewith is the audit report of Dewey 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

**DEWEY COUNTY
OPERATIONAL AUDIT**

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

	Beginning Cash Balance July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balance June 30, 2011
Combining Information:				
County General Fund	\$ 2,183,034	\$ 3,990,442	\$ 1,546,220	\$ 4,627,256
T-Highway	3,140,477	4,366,791	4,059,741	3,447,527
County Clerk Records Preservation Fee	65,981	48,775	35,165	79,591
Sheriff Service Fee	48,201	38,330	50,829	35,702
Prisoner Revolving Fund	40,880	150,259	128,125	63,014
County Clerk Lien Fee	87,561	61,728	13,878	135,411
Resale Property	17,103	12,368	11,844	17,627
County Assessor Revolving Fee	16,324	9,142	2,359	23,107
Sheriff Commissary Fund	1,246	13,881	6,086	9,041
Dewey County Public Facilities Authority	74,113	2,122,270	1,849,056	347,327
Highway/CBRIF		872,546		872,546
Dewey County E911		37,446		37,446
Remaining Aggregate Funds	20,199	8,585	5,284	23,500
Combined Total - All County Funds	\$ 5,695,119	\$ 11,732,563	\$ 7,708,587	\$ 9,719,095

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.

Objective 1:	To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer’s monthly reports FY 2011.
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Conclusion With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are 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, and ending balances on the General Ledger agreed to the ending balances 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 one deputy perform daily activity using the information system such as issuing receipts and posting disbursements.
- Upon inquiry of the reconciliation process of apportioned receipts, disbursements, and cash balances 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 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**

The County Treasurer and County Clerk will check monthly collections and balances and record doing so.

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 the 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.

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

County Treasurer's Office: The County Treasurer and one full-time deputy issue receipts. The same person preparing the daily deposit, issues receipts and reconciles the bank accounts.

County Clerk's Office: The County Clerk and three full-time deputies issue receipts. The same personnel in the County Clerk's office that issue receipts are preparing the deposit, taking the deposit to the County Treasurer, balancing the cash drawer, and reconciling the account.

County Assessor's Office: The County Assessor and two full-time deputies issue receipts. The same personnel in the Assessor's office that issue receipts are

balancing the cash drawer, preparing the deposits, taking the deposit to the County Treasurer, and reconciling the account.

County Sheriff's Office: The County Sheriff has one full-time employee issuing receipts, balancing the one cash drawer, preparing the deposit, taking the deposit to the County Treasurer, and reconciling the accounts.

County Sheriff Inmate Trust Account: The Jail Administrator is responsible for issuing receipts, preparing deposits, delivering deposits to the financial institution, and reconciling the inmate trust account and issuing checks. The Sheriff is responsible for these duties in the absence of the Jail Administrator.

Court Clerk's Office: The Court Clerk has two full-time deputies issuing receipts. The same personnel in the Court Clerk's office that issue receipts are preparing the deposit, taking the deposit to the County Treasurer, balancing the cash drawer, and reconciling the 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 how to properly segregate duties. OSAI further 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.

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

County Treasurer's Office: The same individual issuing receipts should not prepare the deposits, deliver deposits to the financial institutions, or reconcile the bank statements.

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

County Assessor's Office: Employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the daily deposit, delivering the deposit to the County Treasurer's office, and

reconciling the account to the County Treasurer should be performed by different individuals.

County Sheriff's Office: The duties of issuing receipts, balancing the cash drawer, preparing the daily deposit, delivering the deposit to the County Treasurer's office, and reconciling the account to the County Treasurer should be performed by different individuals. With regard to the inmate trust fund, one employee should not be preparing deposits and delivering deposits to the financial institution. Bank statements should be reconciled to the inmate trust ledger by someone other than the employee issuing receipts and checks.

Court Clerk's Office: The same person issuing receipts should not prepare the deposits or reconcile the accounts.

**Management
Response**

County Treasurer's Office: The County Treasurer, one full-time deputy and one part-time deputy; therefore, segregation of duties is very difficult.

County Clerk's Office: The Dewey County Clerk has been made aware of the need for a proper segregation of duties; therefore, the County Clerk will implement internal controls which provide reasonable assurance that revenues are accurately reported by providing a separate cash drawer for each employee in the County Clerk's office. Each employee's cash drawer will be randomly counted by an employee and a log shall be kept of the random cash drawer balances. The responsibilities of issuing receipts, daily balancing of the cash drawer, preparing the daily deposit to the County Treasurer's Office and reconciling the account to the County Treasurer shall be segregated as much as possible. However, due to the limited number of employees in a small county such as Dewey County, the number of employees restricts the amount of segregation of duties possible.

County Assessor's Office: The Assessor has been made aware of the need for segregation of duties in the office. The Assessor will implement internal controls, which provide reasonable assurance that revenues are accurately reported. Segregation of duties in an office of three is very difficult.

County Sheriff's Office: The office Deputy issues receipts, balances the cash drawer, and prepares the deposit. Another employee, usually the Jail Administrator, takes the deposits to the County Treasurer. The County Sheriff approves and signs off on the collections, disbursements and reconciliations as compared to the County Treasurer's books at the end of the month.

County Sheriff Inmate Trust Account: The Jail Administrator is responsible for issuing receipts, preparing deposits and delivering deposits to the financial institution. The County Sheriff approves reconciliation and each check issued

requires (2) two signatories. We have implemented a second approval of the daily deposits to the inmate trust account and when able, will have the delivery of the deposits performed by someone other than the Jail Administrator.

Court Clerk's Office: As you are aware of our size, each employee of my office can issue receipts. In an effort to provide internal control, I have adopted the following guidelines.

1. One deputy goes and gets the mail and brings it back to the office.
2. Another deputy and myself, open mail and log all monies received through the mail. I have implemented a mail log.
3. At the end of each day, the deputy who picked up the mail runs the end of the day deposit report and checks off from the log of the money that was received in the mail.
4. At the end of the day, the Court Clerk runs a tape of the receipts for the day and also for the checks and cash received for the day. These totals should balance with the balance on our cash register. We are currently in the process of introducing a cash drawer for each employee, where the procedures will be similar or the same as the new implementations.
5. The following morning, the deputy who opened the mail, runs the deposit and takes it to the County Treasurer's office. If cash has been received, we ask the County Treasurer's office to count the cash and initial the amount that is on the deposit if correct.
6. The Court Clerk runs the various daily reports to reconcile with the deposit and computer.
7. Cash received from the counter is counted by two employees in the office, and both initial the receipt and document on the receipt the denomination of money taken.
8. Duties are rotated each day. The employee that receives the mail does not prepare the deposit.

Objective 3:	To determine if the County's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records.
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Conclusion The County's internal controls do not provide reasonable assurance that expenditures were accurately reported in the accounting records.

Our review of the internal controls over Court Clerk Revolving Fund expenditures provides reasonable assurance that Court Clerk Revolving Fund 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 regarding the Court Clerk Revolving Fund which included review of 100% of the expenditures from the fund 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 cash vouchers.

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, 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:

- Requisitioning officers in all the county offices are purchasing items/services. Purchasing should be separate from requisitioning functions.
- Persons other than the designated requisition agent for Districts 1, 2, and 3 are allowed to request purchase orders, including the receiving agents for each District.
- One County Clerk employee encumbers funds, prints warrants, signs warrants, and distributes warrants.
- The signature stamps for each of the County Commissioners are in the custody of and are used by the County Commissioner's secretary. When a purchase order is requested, the Commissioner's secretary will print the purchase order and stamp the appropriate Commissioner's signature as the requisitioning agent.

Observation	<p>Inadequate Segregation of Duties over the Court Fund Expenditure Process</p> <p>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 preparing the claim, preparing the voucher, and signing the voucher should be separated.</p> <p>Upon inquiry and observation of the expenditure process, it was determined that:</p> <ul style="list-style-type: none">▪ Within the Court Clerk Court Fund, one individual prepares the claim, prepares the voucher, and signs the voucher. <p>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.</p>
Recommendation	<p>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.</p> <p>Further:</p> <ul style="list-style-type: none">▪ The duties of encumbering funds, printing warrants, signing warrants, and distributing warrants should not be performed by one individual.▪ Only authorized requisition agents, not receiving agents, should request purchase orders.▪ Signature stamps should only be used by the person whose signature is on the stamp.▪ Within the Court Clerk Court Fund, the duties of preparing claims, preparing vouchers, and signing vouchers should not be performed by one individual.
Management Response	<p>County Clerk: The Dewey County Clerk has been made aware of the need for a proper segregation of duties. Due to the limited number of employees in a small county, the number of employees restricts the amount of segregation of duties possible. However, procedures shall be put in place so that the duties of encumbering funds, printing warrants, signing warrants and distributing warrants shall not be performed by the same employee. To facilitate risk management, only the authorized requisition agents, not receiving agents, shall request</p>

purchase orders and signature stamps shall only be used by the person whose signature is on the stamp.

Court Clerk: In an effort to segregate duties in the court fund, I have implemented the following procedures:

1. A requisition/receiving log. The log includes:
 - Date ordered.
 - Identify who placed the order.
 - Vendor
 - Description of item(s)
 - Date received
 - Received by whom
 - Date paid
 - Claim number
 - Voucher number

I am in the process of changing this procedure, to require a receiving report be attached to each claim. At present, I have a log, but believe an individual report for each claim would work better. The individual report would contain the information included in the receiving log.

2. Items received are compared to the log and the accompanying statement. The claim is completed and then signed by the vendor if possible. Monthly bills are acknowledged by the First Deputy.
3. The claim is then presented to the governing board and signed by the board and second deputy.
4. A voucher is issued by the Court Clerk, then taken to the County Treasurer by a deputy and mailed to the vendor by a separate deputy.

County Commissioner District 1: Dewey County District 1 is aware of the need for a proper segregation of duties; however, being a small county with a limited number of employees, the amount of segregation of duties is restricted. To aid risk management, only the authorized requisition agents, not receiving agents, shall request purchase orders and signature stamps shall only be used by the person whose signature is on the stamp.

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

- Gained an understanding of the internal controls related to the payroll expenditure process through 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 enrolling new personnel, processing payroll information and records, preparing OPERS reports and State and Federal tax reports, printing and signing the payroll warrants, and maintaining personnel files should be separated.

Upon inquiry, it was determined that the payroll clerk enrolls new employees, processes payroll information and records, prepares the OPERS report and the State and Federal Tax reports, prints and signs the payroll warrants, and maintains the personnel files.

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 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 accounting functions.

Further, the duties of enrolling new employees, maintaining personnel files, preparing retirement reports and State and Federal tax reports, and distributing payroll warrants should not all be performed by one individual. The duties of posting payroll information into the system, printing payroll claims, printing payroll warrants, and distributing payroll checks should be adequately segregated.

**Management
Response**

District 2 Commissioner: Dewey County District 2 is aware of the need for a proper segregation of duties; however, being a small county with a limited number of employees, the amount of segregation of duties is restricted. To aid risk management, only the authorized requisition agents, not receiving agents, shall request purchase orders and signature stamps shall only be used by the person whose signature is on the stamp.

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 asset inventories and consumable inventories 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 fixed assets inventory process and the consumable 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 constitutes 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 internal control process over fixed assets inventory, the following was noted:

County Treasurer, County Clerk, County Sheriff, and Court Clerk offices: These offices stated that annual inventory counts of fixed assets are performed, but documentation is not retained.

County Commissioner District 1: District 1 has inadequate segregation of duties over fixed assets inventory. One employee is responsible for receiving the inventory items, attaching inventory numbers to inventory items, and keeping track of the locations of inventory items. District 1 has not designed and implemented a formal annual inventory of fixed assets.

Additionally, at the time of the audit, District 1 fixed asset inventory was not adequately safeguarded. A new fence is being constructed and the old fence has already been torn down. There are no other measures being taken to safeguard fixed assets inventory.

County Commissioner District 2: District 2 has inadequate segregation of duties over fixed assets inventory. One employee is responsible for receiving the inventory items, attaching inventory numbers to inventory items, and keeping

track of the locations of inventory items. District 2 has not designed and implemented a formal annual inventory of fixed assets.

County Commissioner District 3: District 3 has inadequate segregation of duties over fixed assets inventory. One employee is responsible for receiving the inventory items, attaching inventory numbers to inventory items, and keeping track of the locations of inventory items. District 3 has not designed and implemented a formal annual inventory of fixed assets.

Failure to maintain accurate records of fixed assets inventory, failure to adequately segregate the duties of receiving, maintaining and physical verification of fixed assets, and failure to perform an annual physical inventory count 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**

County Treasurer: The County Treasurer's office will keep a ledger of inventory.

County Sheriff: The Sheriff's Office has implemented a written documentation of annual inventory counts to be retained for auditing purposes. The Jail Administrator is responsible for maintaining the inventory, the Under Sheriff is responsible for conducting inventory counts and the Sheriff keeps records of both.

County Clerk: An annual inventory count is performed; however, the marked and initialed documentation done during the actual physical counting is not retained for our records. We will implement procedures to keep this documentation with dates and signatures in our files along with the inventory records.

Court Clerk: I have a current inventory record that was provided to the auditors. I do keep documentation of my inventory. During the audit, inventory was discussed, but it was not asked for, or I misunderstood, because I do have current dated inventory records. Each year all my office goes through the inventory to make sure all items are still here. New items are placed on inventory. I furnish a copy of the inventory to the County Clerk's office, though no longer required to do so, but I have continued to do that for insurance purposes.

County Commissioner District 2: Dewey County District 2 is in the process of implementing procedures to accurately maintain fixed asset records and segregate the duties over fixed assets. Records will be maintained in a manner that assets can be identified by serial number, date of acquisition, and purchase price.

County Commissioner District 3: Dewey County District 3 already has segregation of the fixed assets in our District with the receiving officer receiving the inventory items, the Commissioner's Secretary at Taloga issuing the inventory number and the Foreman for District 3 keeping track of the location of inventory items. The yearly count on the inventory items is done every year. We will provide documentation of the county, sign and deliver the paperwork to the Dewey County Clerk.

Observation

Inadequate Internal Controls over Consumable Inventories

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 acquisition, use, or disposition of the entity's consumable inventory and safeguarding consumable inventory from loss, damage, or misappropriation.

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

District 1

- There were insufficient internal controls regarding the purchase of gasoline from a convenience store in Leedey, Oklahoma, including incorrect invoices and fuel tickets not being turned in by employees.
- Records were not kept to record diesel fuel stored at the District and used for County vehicles.
- Consumable inventory cards are not maintained for all consumable inventory items.
- One individual receives consumable inventory items, maintains some consumable inventory records, and performs the physical counts of the consumable inventory items.

District 2

- Consumable cards are not maintained for all consumable inventory items.
- Fuel logs are kept, but fuel is not monitored on a regular basis.
- One individual receives consumable inventory items, maintains some consumable inventory records, and performs the physical counts of the consumable inventory items.

District 3

- One individual receives consumable inventory items, maintains some consumable inventory records, and performs the physical counts of the consumable inventory items.

Failure to maintain adequate records of consumable inventories, to adequately segregate duties over consumable inventories, and failure to perform a periodic physical inventory count 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 duties. Records should be maintained for all consumable inventory items in an accurate manner that reflects consumable inventory by category, amount, and current balances. Further, a periodic physical verification of consumable inventories should be performed and reconciled to inventory records.

**Management
Response**

County Commissioner District 1: District 1 does an annual inventory count; however, the documentation done during the actual physical counting is not kept by the County Clerk. We will implement procedures to keep this documentation with dates and signatures in the files along with the inventory records. The receiving officer will receive inventory items and separate employees will attach inventory numbers and locate and count inventory. Dewey County District 1 no longer plans to make purchases from the Leedey convenience store and procedures will be put in place to ensure that employees turn in all fuel tickets to the bookkeeper. District 1 is in the process of installing onsite fuel storage tanks with pumps and meters to accurately monitor and log the fuel usage. District 1 does keep current inventory cards; however, these cards will be signed and dated when changes are made.

County Commissioner District 2: District 2 will implement internal control procedures for the accurate reporting of consumable inventories, including adequately segregating duties. Records will be maintained for all consumable inventory items in an accurate manner that reflects consumable inventory by category, amount, and current balances. Further, a periodic physical verification of consumable inventories will be performed and reconciled to inventory records.

District 2 will implement internal control procedures for the accurate reporting of fuel usage, fuel logs, and monitoring fuel usage on a regular basis, adequately segregating duties. Records will be maintained for fuel by logs, meter reading, and measuring fuel in the tank.

County Commissioner District 3: Dewey County District 3 already has segregation of the consumable items in our district by having two receiving officers in our district. Only one receiving officer receives the consumables and the other receiving officer maintains the paperwork. The counting of the consumables is performed by the Foreman for District 3. On maintaining records of the fuel on location, each employee is responsible for reporting the fuel consumed in each piece of equipment and writing it down on a consumable items list that the employee must initial. It is then transferred to a ledger, which maintains balances on a weekly basis. We do monthly inventory of all consumable items, but will provide documentation to the Dewey County Clerk.

County Assessor: An annual inventory count is conducted in this office.

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 complied with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to pledged collateral through discussions with the County Treasurer, observation, and review of ledgers and documents.
- We reviewed the largest balances for all the banks holding County money and determined the amount of pledged collateral was adequate for each month within the period.

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 due to the following:

- The County Treasurer does not maintain evidence to ensure that the daily bank balance is adequately secured.

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.

Further, OSAI recommends the County Treasurer maintain evidence of monitoring pledged collateral amounts to bank balances on a daily basis to ensure that county funds are adequately secured.

**Management
Response**

The County Treasurer will keep a ledger on securities and pledges and check on-line with the bank balances showing all County funds are covered adequately.

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 the internal control process of receipting, apportioning, and disbursing sales tax collections through discussions with County personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Reviewed sales tax ballots to determine designation and purpose of sales tax collections.

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- 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.
- Tested compliance of the significant law which included:
 - Determined that the 1% sales tax on gross receipts was appropriated to the County General Fund where the collections were co-mingled with other County General Revenue to be expended per the ballot.
 - Determined that the $\frac{3}{4}$ of 1 cent sales tax on gross receipts was appropriated to the Dewey County Public Facilities Authority to be expended for the retirement of indebtedness incurred for construction and equipping of a new Dewey County Courthouse, demolition and related removal of existing courthouse and adjacent building, county jail improvements, and county fair building improvements.

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 the internal controls related to the process of apportioning and distributing ad valorem tax collections, which included discussions with County personnel, observation, and review of documents.
- Tested internal controls which included determining that the County Treasurer used the levies as certified by the Excise Board and filed with the County Clerk to input levies into the tax system.
- 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 Dewey County, to the tax rolls.
 - Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

Other Items Noted:

Although not considered significant to the audit objectives, we feel the following issues 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.

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, comparison, 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 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 Ensuring elected officials know their responsibilities for adequate internal controls, communicating the importance of these controls to employees and performing ongoing monitoring during normal daily operations with documentation, will be instrumental in providing the controlled environment necessary to safeguard Dewey County assets and prevent and detect errors and fraud.

Observation Inadequate Controls over Disaster Recovery Plan

Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed disaster recovery plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), information services management should ensure that a written disaster recovery plan is documented and contains the following:

- All pertinent county officers with emergency contact information.
- Minimum of two locations for temporary relocation of county offices and contact information for the relocation process.
- List of all numbers to contact to continue operations (computer vendor, internet provider, etc.)

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

- Court Clerk
- County Sheriff
- County Assessor
- District 1
- District 2
- District 3

The County Treasurer's office and the County Clerk's office both had disaster recovery plans, however, the plans did not have all the pertinent information and some information was outdated.

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

Recommendation OSAI recommends that management work together to create a disaster recovery plan with the above listed requirements.

**Management
Response**

County Sheriff: The Sheriff is in the process of creating a Disaster Recovery Plan.

County Clerk: The County Clerk does have a formal County Hazard Mitigation Plan on file with OEM and FEMS. The County Clerk will update the County Clerk's written Disaster Recovery Plan to include current contact information and a minimum of two temporary locations for operation in the event of a disaster. The County Clerk has in place an online backup system with KellPro, so that all current data is backed up off-site as well as onsite. All land records are filmed and stored off-site.

As far as practicable, the Dewey County Clerk will attempt to implement a system of internal controls to facilitate the achievement of these goals and objectives by conducting staff meetings, holding periodic employee evaluations, updating necessary information, improving communication and performing ongoing monitoring office functions.

County Treasurer: The County Treasurer will update the written Disaster Recovery Plan already in place.

County Commissioner District 1: Dewey County District 1 will create a written Disaster Recovery Plan to include current contact information, voice and communication vendors, software vendors, insurance information and a minimum of two temporary locations for operation in the event of a disaster.

County Commissioner District 2: Dewey County District 2 will create a written Disaster Recovery Plan to include current contact information, voice and communication vendors, insurance information and a minimum of two temporary locations for operation in the event of a disaster.

County Commissioner District 3: As of January 9, 2012, in case of disaster in Dewey County, the District 3 Barn will relocate to either the old City Dump south of Vici, or the Ball Diamond South of Vici. If Commissioner Salisbury is incapacitated, we have two employees who have been designated to be in charge.

We also have a list of contacts for continued operation, and a list of employees with contact numbers for each of them.

County Assessor: The Assessor is in the process of creating a Disaster Recovery Plan.



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