OPERATIONAL AUDIT

Garvin County

For the period July 1, 2008 through June 30, 2011

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

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

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November 15, 2013

TO THE CITIZENS OF
GARVIN COUNTY, OKLAHOMA

Transmitted herewith is the audit report of Garvin 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,

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

BACKGROUND

Named for Samuel Garvin, a prominent Chickasaw Indian, Garvin County was once a part of the Chickasaw Nation, Indian Territory.

Pauls Valley, the county seat, was named for Smith Paul, the first white settler in this part of the Washita River Valley. In 1847 he described the area as "a section where the bottom land was rich and the blue stem grass grew so high that a man on horseback was almost hidden in its foliage."

Annual events include the Pauls Valley Junior Livestock Show in March, Brick Fest and the Jackpot Pig Sale in May, Heritage Days and Rodeo in June, Fourth of July Celebration, and the Christmas Parade of Lights in December.

For additional county information, call the county clerk's office at 405/238-2772 or the Chamber of Commerce at 405/238-6491.

County Seat – Pauls Valley

Area – 813.66 Square Miles

County Population – 27,113
(2009 est.)

Farms – 1,666

Land in Farms – 500,804 Acres

Primary Source: Oklahoma Almanac 2011-2012

COUNTY OFFICIALS

Beverly Strickland	County Assessor
Lori Fulks	County Clerk
Kenneth Holden	County Commissioner District 1
Shon Richardson	County Commissioner District 2
Johnny Mann	County Commissioner District 3
Larry Rhodes	County Sheriff
Sandy Goggans	County Treasurer
Cindy Roberts	Court Clerk

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for FY 2009

	Beginning Cash Balance July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balance June 30, 2009
Combining Information:				
County General Fund	$ 722,880	$ 2,168,640	$ 2,198,789	$ 692,731
County Highway Fund	4,316,198	5,553,306	4,870,827	4,998,677
County Health Department	203,055	395,198	293,520	304,733
Sheriff Service Fee Cash	124,852	841,557	631,755	334,654
County Sinking	27,495	4,405	-	31,900
Sales Tax	1,019,307	1,459,666	464,805	2,014,168
Use Tax	76,789	76,513	20,852	132,450
Remaining Aggregate Funds	1,343,171	848,956	708,374	1,483,753
Combined Total - All County Funds	$ 7,833,747	$ 11,348,241	$ 9,188,922	$ 9,993,066

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

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for FY 2010

	Beginning Cash Balance July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balance June 30, 2010
Combining Information:				
County General Fund	$ 692,731	$ 2,317,192	$ 2,160,074	$ 849,849
County Highway Fund	4,998,677	5,432,574	5,651,545	4,779,706
County Health Department	304,733	423,443	431,395	296,781
Sheriff Service Fee Cash	334,654	672,056	818,500	188,210
County Sinking	31,900	3,245	-	35,145
Sales Tax	2,014,168	1,326,908	1,957,421	1,383,655
Use Tax	132,450	65,610	21,700	176,360
Remaining Aggregate Funds	1,483,753	1,011,014	829,848	1,664,919
Combined Total - All County Funds	$ 9,993,066	$ 11,252,042	$ 11,870,483	$ 9,374,625

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

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	$ 849,849	$ 2,219,138	$ 2,141,311	$ 927,676
County Highway Fund	4,779,706	5,759,105	6,682,140	3,856,671
County Health Department	296,781	409,333	333,541	372,573
Sheriff Service Fee Cash	188,210	641,978	600,890	229,298
County Sinking	35,145	2,929	-	38,074
Sales Tax	1,383,655	1,365,777	652,732	2,096,700
Use Tax	176,360	88,755	53,570	211,545
Remaining Aggregate Funds	1,664,919	2,694,877	1,181,036	3,178,760
Combined Total - All County Funds	$ 9,374,625	$ 13,181,892	$ 11,645,220	$ 10,911,297

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 for FY 2011.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances appear to be accurately presented on the County Treasurer’s monthly reports. However, internal controls over the monthly reports and segregation of duties within the Treasurer’s office should be strengthened.

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

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

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

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

Condition: 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.

Duties are not adequately segregated in the County Treasurer’s office:

- The County Treasurer’s monthly reports are compiled from an information system in which the County Treasurer and the Deputy perform daily transactions such as issuing receipts and posting disbursements.
- There is no independent oversight of the accuracy of the County Treasurer’s monthly reports.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure approval of accuracy of monthly reports.

Effect of Condition: 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.

Duties should be adequately segregated so that individuals issuing receipts should not prepare the deposits, deliver the deposits to the financial institutions, or reconcile the bank statements. 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: The monthly report will be approved and initialed by two people.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

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

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

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

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

- Selected two days per month from banks holding deposits of county funds and determined that bank balances were adequately collateralized.

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

Condition: Upon inquiry of the County personnel, observation of pledged collateral documents, and test of seventy-two days deposits held at banks, we noted the following weaknesses:

- The County Treasurer did not document that pledged collateral was monitored on a daily basis to ensure that County deposits were secure.
- Significant controls have not been adequately implemented to ensure daily bank balances are sufficiently collateralized.

Additionally, the County's General Bank Account was not adequately pledged as follows:

- December 31, 2008, in the amount of $1,255,617.96.
- January 1, 2009, in the amount of $1,255,617.96.

Additionally, the County's Official Depository Bank Account was not adequately pledged as follows:

- August 31, 2009, in the amount of $117,556.81.
- September 1, 2009, in the amount of $65,188.88.

Cause of Condition: Policies and procedures have not been designed, implemented, or documented to ensure that county funds are adequately secured with pledged collateral.

Effect of Condition: These conditions resulted in noncompliance with state statute. Further, 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 a ledger of daily bank balances and compare to the market value of pledged securities to ensure that county funds are adequately secured.

Management Response:
County Treasurer: We will begin checking the pledge balance against the bank balance daily to verify that we are adequately pledged.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation.

In addition, effective internal controls require that monitoring pledged securities be performed on a daily basis to ensure compliance with 62 O.S. § 517.4.

Objective 3:	To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated. However, internal controls over the apportionment of sales tax should be strengthened.

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

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

- Tested compliance of the significant law, which included the following:
  - Reviewed sales tax ballots to determine designation and purpose of sales tax collections.
  - Obtained confirmations from the Oklahoma Tax Commission for sales tax payments made to the County and recalculated the amounts apportioned by the County Treasurer to ensure sales tax collections were apportioned to the proper funds.
  - Selected a random sample of 120 purchase orders (40 per year) from the Sales Tax Revolving Fund and determined that expenditures were made for purposes designated on the sales tax ballot.

Finding: Inadequate Internal Controls Over Sales Tax Apportionments and Appropriations

Condition: Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections, it was noted that there is no evidence of independent oversight of the calculation of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk.

Cause of Condition: Procedures have not been designed to document and retain evidence of procedures performed to ensure sales tax appropriations are accurately apportioned to the proper fund.

Effect of Condition: This condition could result in sales tax funds being incorrectly calculated and apportioned to incorrect funds and not expended in accordance with sales tax ballot.

Recommendation: OSAI recommends that the Treasurer implement internal control procedures for the accurate reporting and apportioning of sales tax revenue. There should be an independent verification of the calculation of the sales tax verification.

Management Response:
County Clerk: When preparing sales tax appropriations, someone independent of the preparer will verify that calculations are correct.

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

Objective 4:	To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong. However, internal controls should be strengthened regarding the application of certified levies to the tax rolls and the apportionment and distribution of ad valorem tax collections.

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

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

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

Finding: Inadequate Internal Controls Over Ad Valorem Distribution

Condition: The County did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem system by the Treasurer.

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

Effect of Condition: This condition could result in undetected errors, misappropriation of funds, and loss of revenues.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal control to provide reasonable assurance that the tax levies are entered into the County Treasurer's system accurately to maintain evidence of these controls.

Management Response:
County Treasurer: When new ad valorem taxes are entered into the computer someone else will initial the certified levies.

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

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

Conclusion: With respect to the items tested, the County's financial operations complied with 19 O.S. § 1505F, which requires that purchase orders be approved by the Board of County Commissioners. However, the county did not comply with 19 O.S. § 1505C and 19 O.S. § 1505E, which requires that purchase orders to be properly requisitioned and encumbered, and that the receiving officer complete a receiving report confirming delivery of goods and services.

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

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

- Tested compliance of the significant law, which included the following:
  - Purchase orders were properly requisitioned as required by 19 O.S. § 1505C.
  - Purchase orders were properly encumbered as required by 19 O.S. § 1505C.
  - The receiving officer prepared and signed a receiving report as required by 19 O.S. § 1505E.
  - The County Clerk or designee compared the purchase order to the invoice, receiving report, and delivery document as required by 19 O.S. § 1505E.
  - Purchase orders were approved for payment by the Board of County Commissioners as required by 19 O.S. § 1505F.

Finding: Inadequate Internal Controls Over the Expenditure Process and Noncompliance with State Statutes

Condition: Upon inquiry and observation of the expenditure process, it was noted that the purchasing agent reviews the supporting documentation and the purchase order for accuracy and completion, makes any adjustment needed, prints warrants, and mails the signed warrants to the vendors.

Also, of the 120 purchase orders tested, the following was noted:

- Six (6) purchase orders were not timely encumbered.
- Seven (7) purchase orders did not have a signed receiving report attached.

Cause of Condition: Procedures have not been designed to adequately segregate key accounting functions regarding the expenditure process to ensure compliance with purchasing statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends the County implement a system of internal controls over the expenditure process. Such controls may include an independent verification of the accuracy of components necessary to initiate and authorize expenditure. OSAI also recommends management implement procedures to ensure compliance with purchasing statutes.

Management Response:
County Clerk:

- Purchase orders which are not timely encumbered are marked by the purchasing agent with a red stamp stating: day purchase order was encumbered, day of invoice and date on receiving report. County Clerk's office repeatedly advises requisitioning officers the need to have purchase orders timely encumbered.

- All purchase orders, excluding payroll and travel claims, will have a signed receiving report attached.

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

Objective 6:	To determine the County's financial operations complied with 19 O.S. § 1504A, which requires the receiving officer to maintain a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by his department.

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

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

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

- Tested a sample of six (6) consumable records from each district barn to determine that the district barns are maintaining accurate records and they agree to a physical count of consumable inventory.

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

Condition: Upon inquiry of District personnel and observation of consumable inventory records, the following weaknesses were noted:

- District 1, 2, and 3:
  - The consumable inventory process is not adequately segregated. One individual is verifying the goods received, recording the items on the inventory cards, and performing a visual verification of the items on hand.

Also, of the eighteen (18) consumable items tested, the following was noted:

- District 1:

Description	Amount on Inventory	Amount Visually Verified	Variance Noted
New Steel Pipe 2 3/8	200’	168’	32’ short
Used H Beam	31’	46’	15’ long
Sign – 40MPH	23	20	3 short
16 Gauge Tinhorn 18” X 24’	15	2	13 short

- District 2:

Description	Amount on Inventory	Amount Visually Verified	Variance Noted
Rock; Dust	40 tons	35 tons	5 tons short
Sign – Reduced Speed	10	9	1 short
Steel Pipe – 12 2/3	629’	624.3’	4.7’ short
Steep Pipe – 2 7/8	1,633’	1,605'	28’ short

Cause of Condition: Procedures have not been designed and implemented with regard to effective internal controls over safeguarding consumable inventories.

Effect of Condition: These conditions resulted in noncompliance with state statute. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for consumable inventories.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the consumable inventory records. Such controls may include an independent verification of the inventory counts and a separation of duties between maintaining, updating, and verifying the accuracy of records.

Management Response:
BOCC: The Board of County Commissioners will work to implement a system of internal controls over the consumable inventory records and will implement compensating controls to mitigate the risks involved with a concentration of duties.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 consumable inventory items, and safeguarding consumable inventory items from loss, damage, or misappropriation. Effective internal controls include designing and implementing procedures to ensure compliance with 19 O.S. § 1504A.

Objective 7:	To determine the County's financial operations complied with 19 O.S. § 178.1 and 69 O.S. § 645, which requires the maintenance of inventory records, periodic inventory verifications, and that equipment be clearly and visibly marked "Property of" the County.

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

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

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

- Tested a random sample of 49 fixed assets and verified the items were marked properly with county identification numbers and "Property of Garvin County" as required by 69 O.S. § 645.

Finding: Inadequate Internal Controls Over Fixed Assets and Noncompliance with Statute

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

- Periodic physical inventories are performed by each County office, however no documentation is maintained.

When visually verifying inventory items, the following was noted:

- District 1:
    - One inventory item was not marked with an inventory label. One inventory item was not marked “Property of Garvin County.”

- District 3:
    - Three inventory items were not marked “Property of Garvin County.”

- County Clerk:
    - One inventory item did not have an inventory label.

- Sheriff’s Office:
    - One inventory item did not have an inventory label.

- Assessor’s Office:
    - Three inventory items included on the County’s inventory list were not located. One inventory item did not have an inventory label.

Cause of Condition: Procedures have not been implemented for the accurate reporting of fixed assets.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in inaccurate or incomplete inventory records and improper use of or loss of fixed assets.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with state statute 19 O.S. § 178.1.

Management Response:
District 1 County Commissioner: We will retain documentation to document that a periodic physical inventory is performed and reviewed. We have labeled the inventory item noted during testwork, and all items currently have proper county identification labels.

District 2 County Commissioner: We will retain documentation to document that a periodic physical inventory is performed and reviewed.

District 3 County Commissioner: We will retain documentation to document that a periodic physical inventory is performed and reviewed. We will ensure that all items have proper county identification labels.

County Clerk: We will maintain documentation of the physical inventory in the future.

County Treasurer: We will maintain documentation of the physical inventory in the future.

Court Clerk: We will maintain documentation of the physical inventory in the future.

County Sheriff: We will maintain documentation of the physical inventory in the future.

County Assessor: We will maintain documentation of the physical inventory in the future. We will update inventory records to indicate that the desk and two chairs were transferred to emergency management.

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

Objective 8:	To determine the County's financial operations complied with 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of office.

Conclusion: With respect to the days tested and items reconciled, the County Sheriff and the County Assessor did not comply with state statute 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of office. However, internal controls regarding the collections and depositing process should be strengthened in all county offices.

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

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

- Tested compliance with 19 O.S. § 682, which included reviewing a sample of five consecutive daily deposits from each Officer's depository account and verifying that officers deposit daily all collections received under color of office.

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

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

- There appears to be inadequate segregation of duties relating to the issuance of receipts, preparation and delivery of deposits, as well as, reconciliation of monies received to official depository accounts. All employees in all offices, except the Assessor's office, issue receipts, prepare deposits, deliver deposits to the County Treasurer, and participate in reconciliations.

- One cash drawer is maintained for each office. All employees in each office have unrestricted access and participate in balancing the cash drawer.

Additionally, our test of receipts issued revealed the following noncompliance with regard to the County Sheriff's and Assessor's official depository accounts: With respect to items tested, the following was noted:

- County Assessor's office – Eleven instances were noted where the deposit was not being made daily and one instance noted where receipts were issued out of sequence.
- County Sheriff's office – Four instances were noted where deposits were not being made daily, one deposit included missing receipts, one receipt was voided twice, one receipt number was issued twice, and one instance where the amount receipted did not agree to the amount deposited.

Cause of Condition: Policies and procedures have not been designed and implemented to address the lack of segregation of duties over the officers' depository process, to ensure that receipts are issued for all collections received, or to ensure that all collections are deposited daily.

Effect of Condition: These conditions resulted in noncompliance with state statutes. 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 that are not detected in a timely manner.

Recommendation: OSAI recommends that 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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:
County Assessor: We will implement compensating controls to mitigate the risks involved with a concentration of duties. This will include maintaining documentation where receipts are reconciled to deposits, and an independent verification of all reconciliations.

County Sheriff: We will implement compensating controls to mitigate the risks involved with a concentration of duties. This will include issuing receipts for all monies collected under color of office, making daily deposits, maintaining documentation where receipts are reconciled to deposits, and an independent verification of all reconciliations.

County Treasurer: We will maintain documentation of an independent verification of all reconciliations. We will implement compensating controls to mitigate the risks involved with a concentration of duties.

County Clerk: We will implement compensating controls to mitigate the risks involved with a concentration of duties. We will maintain documentation of an independent verification of all reconciliations, and the employee who reconciles the cash drawer and prepares daily deposit will not take the deposit to the Treasurer.

Court Clerk: We will maintain documentation of an independent verification of all reconciliations. We will implement compensating controls to mitigate the risks involved with a concentration of duties.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting, reconciling cash drawer, preparing and making deposits, and reconciling account balance should be segregated. Effective internal controls include designing and implementing procedures to ensure compliance with 19 O.S. § 682.

Objective 9:	To determine the County Court Clerk's financial operations complied with 19 O.S. § 220 and 20 O.S. § 1304, which outlines procedures for expending Court Clerk Revolving Fund monies and Court Fund monies, respectively.

Conclusion: With respect to the items tested, the County complied with 19 O.S. § 220 and 20 O.S. § 1304, which outlines procedures for expending Court Clerk Revolving Fund monies and Court Fund monies, respectively. However, internal controls over the Court Clerk Revolving Fund and the Court Fund should be strengthened.

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

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

- Tested compliance with 19 O.S. § 220 for the Court Clerk Revolving Fund, which included the following:
  - Randomly selected 30 claims from the Court Clerk Revolving Fund claims and verified the following:
    - Expenditures were made for the operation of the court.
    - Claims were approved by the Court Clerk and either the District or the Associate District Judge.

- Tested compliance with 20 O.S. § 1304 for the Court Fund, which included the following:
  - Randomly selected 75 Court Fund claims and verified the following:
    - Expenditures were made for the lawful operation of the office.
    - Claims were approved by the District Judge and either the local Court Clerk or the local Associate District Judge.

Finding: Inadequate Segregation of Duties Exists Over Expending Court Clerk Revolving Fund and Court Fund Monies

Condition: Upon inquiry and observation of the Court Clerk Revolving Fund and the Court Fund expenditure process, it was noted that the Court Clerk solely performs key duties with no independent verification of accuracy. The Court Clerk initiates and prepares the claim, attaches and verifies supporting documentation to claim, certifies that goods/services were received, signs the claim along with the District Judge, and prepares and signs checks.

Cause of Condition: Policies and procedures have not been designed and implemented to address the lack of segregation of duties over expending Court Clerk Revolving Fund and Court Fund monies.

Effect of Condition: 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 that 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 risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:
Court Clerk: We will implement compensating controls to mitigate the risks involved with a concentration of duties. I will have a deputy verify the claims and have the Treasurer sign and date the end of the month report to document that the balance agrees with her ledger.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting, reconciling cash drawer, preparing and making deposits, and reconciling account balance should be segregated.

Objective 10:	To determine the County Sheriff's Inmate Trust Fund financial operations complied with 19 O.S. § 531A, which requires these funds only be expended to refund monies to inmates or to transfer funds to the Sheriff's Commissary Fund for inmate expenditures.

Conclusion: With respect to items tested, the County Sheriff's Inmate Trust Fund financial operations did not comply with 19 O.S. § 531A, which requires these funds only be expended to refund monies to inmates or to transfer funds to the County Sheriff's Commissary funds for inmate expenditures.

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

- Gained an understanding of the internal controls related to expending funds from the County Sheriff's Inmate Trust Fund, which included discussions with County personnel, observation, and review of documents.

- Tested compliance with the significant law by selecting a random sample of 127 Inmate Trust Fund checks to determine the purpose of the expenditure was made only for the purposes of transferring funds to the County Sheriff's Commissary Fund or to refund money to inmate.

Finding: Inadequate Internal Control and Noncompliance Over the County Sheriff Inmate Trust Fund Expenditure Process

Condition: Regarding the County Sheriff Inmate Trust Fund expenditure process, the following was noted:

- The County Sheriff's records clerk has the authority to perform key duties such as receiving money, entering receipts into the system, and making deposits.

- During our test of 127 Inmate Trust Fund checks, two instances were noted where a check was issued to the Garvin County Court Clerk on behalf of an inmate to cover fines owed, and one instance where a check was issued to Wal-Mart for an inmate's medication.

Cause of Condition: Procedures have not been designed to ensure that expenditures from the Inmate Trust Fund are made only for the specific purposes outlined in 19 O.S. § 531A.

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

Recommendation: OSAI recommends the County implement procedures to ensure that checks are made payable to either the County Sheriff's Commissary Account or paid directly to the inmate. Further, internal control procedures should be designed and implemented to ensure compliance with state statute.

Management Response:
County Sheriff: We will implement compensating controls to mitigate the risks involved with a concentration of duties. Inmate Trust Fund checks will only be issued to refund monies to inmates or to transfer funds to the County Sheriff's Commissary funds for inmate expenditures.

Criteria: Effective internal controls require that management properly implement procedures to ensure compliance with 19 O.S. § 531A with regard to Inmate Trust funds.

All Objectives:

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

Finding: Inadequate County-Wide Controls

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

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

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and should be included in the County's policies and procedures handbook.

Management Response:
BOCC: The Board of County Commissioners will work together with all county officials to develop a plan to monitor the County's internal controls to ensure that audit findings and other reviews are properly resolved.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding: Disaster Recovery Plan

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

- County Assessor
- County Sheriff
- Court Clerk

Cause of Condition: Procedures have not been designed and implemented to require all offices to prepare a formal Disaster Recovery Plan.

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

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

Management Response:
County Assessor, County Sheriff, and Court Clerk: A Disaster Recovery Plan will be completed and filed with the County Clerk.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

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