

OPERATIONAL AUDIT

GREER COUNTY

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



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



Oklahoma State
Auditor & Inspector
Gary Jones, CPA, CFE

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

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Oklahoma State Auditor & Inspector

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December 14, 2011

TO GREER COUNTY

Transmitted herewith is the audit report of Greer County for the period July 1, 2009 through June 30, 2011.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

Background

Greer County was claimed by both Texas and the United States, and Greer was adjudged by the U.S. Supreme Court to be part of Indian Territory in 1896. At the time of the Oklahoma Constitutional Convention, the area was divided among Beckham, Greer and Jackson counties. Following statehood, Greer County was further divided to create Harmon County. The County was name for John A. Greer, Lieutenant Governor of Texas.

Quartz Mountain State Park, the Sandy Sanders Wildlife Area and Lake Altus provide recreational opportunities. The Oklahoma Summer Arts Institute takes place each June at Quartz Mountain Lodge, while the last weekend in April offers a rattlesnake derby, gun show and flea market at Mangum.

County Seat –Mangum Area – 643.66 Square Miles

County Population – 5,830
(2009 est.)

Farms – 571 Land in Farms – 375,447 Acres

Primary Source: Oklahoma Almanac 2011-2012

County Officials:

- Brent York County Commissioner District 1
- Jerald Gifford..... County Commissioner District 2
- Steven Fite County Commissioner District 3
- Donna Giddens County Assessor
- Sonja WallaceCounty Clerk
- Sandy Hopingardner Court Clerk
- Devin Huckabay County Sheriff
- Cheryl Logsdon..... County Treasurer

**GREER 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	\$ 365,442	\$ 716,039	\$ 776,929	\$ 304,552
County Highway Cash	1,057,231	3,085,234	1,818,764	2,323,701
County Health Department	33,972	181,481	131,764	83,689
Sheriff Service Fee	12,528	66,376	64,735	14,169
Sheriff Board of Prisoners	24,318	251,132	218,349	57,101
Remaining Aggregate Funds	666,249	465,714	190,975	940,988
Combined Total - All County Funds	<u>\$ 2,159,740</u>	<u>\$ 4,765,976</u>	<u>\$ 3,201,516</u>	<u>\$ 3,724,200</u>

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

**Purpose, Scope, and
Sample Methodology**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector’s Office to audit the books and accounts of county officers.

The audit period covered was July 1, 2009 through June 30, 2011.

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

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Objective 1:	To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer’s monthly reports for FY 2011.
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Conclusion With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer’s monthly reports.

Methodology To accomplish our objective, we performed the following:

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

- Performed the following to ensure receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer's monthly reports:
 - Reconciled Treasurer's receipts to amounts apportioned on the General Ledger.
 - 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 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:
 - There is insufficient knowledge of the responsibilities and requirements regarding the Office of the County Treasurer including, but not limited to, the purpose of the monthly reports and what information is compiled to produce the monthly reports.
 - 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.
 - There is no independent oversight of the accuracy of the compilation of the County Treasurer's monthly reports.
- 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 controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

Further, OSAI recommends the County Treasurer gain an understanding of the responsibilities and requirements of the Office of the County Treasurer and gain an understanding of the information system used on a daily basis and in the compiling of data for monthly reports.

OSAI recommends that the County Treasurer and County Clerk implement procedures to accurately maintain supporting documentation of monthly reconciliations of apportioned receipts, disbursements, and cash balances.

**Management
Response**

County Clerk: The County Clerk's office always balances with the County Treasurer shortly after the first of each month from my account summary and the Treasurer's records. We were unaware that we needed to have documentation with reviewed and approved (initials) of those that did the balancing. I now keep in a binder the account summary along with the Treasurer's appropriation ledger summary with initials of those that did the balancing each month. We started this on July 5, 2011, and will continue to do so.

County Treasurer: I will take classes available to me and use the expertise of the first deputy and surrounding County Treasurers when needed. We reconcile banks weekly. I will maintain better documentation and the deputy and I will check each other's work.

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

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

Methodology To accomplish our objective, we performed the following:

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

Observation

Inadequate Segregation of Duties Over the Receipting Process

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. 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.

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

County Treasurer's Office: The County Treasurer and her deputy issue receipts, record revenues, prepare deposits, deliver deposits to the financial institution, and the County Treasurer reconciles bank statements.

County Clerk's Office: The County Clerk maintains one cash drawer. The County Clerk or her part-time employee opens the mail and issues receipts for collections received through the mail. The County Clerk, the part-time deputy, and the full-time deputy issue receipts for collections received from walk-in customers, balance the cash drawer, prepare deposits, and deliver deposits to the County Treasurer.

County Assessor's Office: The County Assessor maintains one cash drawer. The County Assessor opens the mail and issues receipts for collections received through the mail. The County Assessor and two deputies issue receipts for collections received from walk-in customers, balance the cash drawer, prepare deposits, and deliver deposits to the County Treasurer.

Court Clerk's Office: Three Court Clerk employees open the mail and issue receipts for collections received through the mail. All employees, including the three that open and receipt mail collections, issue receipts for collections received from walk-in customers, prepare deposits, and deliver deposits to the County Treasurer.

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

County Sheriff Inmate Trust: A lock box is used by all employees receiving inmate trust funds. One employee is responsible for preparing deposits, delivering deposits to the financial institution, and reconciling the inmate trust

account. Inmate trust funds are not deposited on a daily basis and bank reconciliations are not performed on a monthly basis.

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

Recommendation

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

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

County Treasurer's Office: The employees issuing receipts should not prepare deposits, deliver deposits to the financial institution, and reconcile bank statements.

County Clerk's Office: Employees should not all work from the same cash drawer. The employee opening the mail should not issue receipts. The employees issuing receipts should not balance the cash drawer, prepare deposits, and deliver deposits to the County Treasurer.

County Assessor's Office: Employees should not all work from the same cash drawer. The employee opening the mail should not issue receipts. The employees issuing receipts should not balance the cash drawer, prepare deposits, and deliver deposits to the County Treasurer.

Court Clerk's Office: The employees opening the mail should not issue receipts for collections received through the mail. Employees issuing receipts should not prepare deposits and deliver deposits to the County Treasurer.

County Sheriff's Office: One employee should not be performing all of the duties of opening the mail, issuing receipts, reconciling receipts to cash and checks, preparing deposits, and delivering deposits to the County Treasurer. With regard to the inmate trust fund, employees should work from separate money bags. One employee should not be preparing deposits and delivering deposits to the financial institution. All money should be deposited on a daily basis and bank statements should be reconciled to the inmate trust ledger on a monthly basis.

**Management
Response**

County Clerk: In the past any employee including myself would open mail, and /or take care of customers, and/or issue receipts and/or prepare deposits and/or deliver deposits to the County Treasurer’s Office. This doesn’t mean that only one person in my office opens mail, issues receipts, prepares deposits, and delivers deposits to the County Treasurer’s Office on a daily basis. We will follow your recommendation to the best of our ability and again have each step reviewed and approved (initialed) by the person(s) involved in each process.

County Treasurer: The deputy and I will each take a bank to reconcile. For that bank we will not prepare and deliver deposits. We will check the other’s work and document such.

County Assessor: The office will maintain more than one cash drawer. The Assessor will be opening the mail, but will not issue a receipt. Either the first or second deputy will issue the receipts. The employee issuing the receipt will not balance the cash drawers, prepare receipts or deliver deposits to the Greer County Treasurer. We have limited staff and will continue to do the best with what we have to maintain accurate records, following the rules and regulations according to the Oklahoma Statutes and serving the public

County Sheriff: The duties of opening mail and making receipts will be worked on to improve the method where it is not only one person doing the task or receipts, preparing deposits and making deposits.

County Sheriff Inmate Trust: More than one money bag is used by the office deputy and jailers. At the end of the day all monies receipted and go into a locked box in the jail and a locked box in the Sheriff’s office. At the start of each day this money is retrieved and entered into the appropriate accounts. We will work on making deposits on a daily basis. Using the Tiger Commissary program has definitely improved the accounting process of the Inmate Trust Fund.

Court Clerk: We are trying really hard to correct all of our duties. The one that opens mail does not do receipts on that mail. We have corrected the way the deposit is done. That person has not done receipts.

Objective 3:

To determine if the County’s internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records.

Conclusion

The County’s internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records.

Our review of the internal controls over Court Fund expenditures did not provide reasonable assurance that expenditures were accurately reported in the accounting records.

Methodology

To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the expenditure process through discussions with County personnel, observation, and review of documents.
- Tested controls which included reviewing a random sample of fifty expenditures for the following:
 - Ensuring that claims reflected the authorized signature of the requisitioning officer.
 - Ensuring that receiving reports were attached to the claims and reflected the authorized signature of the receiving officer verifying goods and/or services were received.
 - Ensuring expenditures were recorded and encumbered by the County Clerk/Purchasing Agent or deputy.
 - Ensuring that claims were signed by the County Clerk or deputy attesting all supporting documentation was attached to the claim prior to submission for payment.
 - Ensuring that claims reflected authorized signatures of the Board of County Commissioners for the approval of payment.
- Tested controls through reviewing a random sample of twenty-seven cash voucher expenditures for the following:
 - Ensuring that claims were prepared by the Court Clerk's office
 - Ensuring that claims reflected authorized signatures of the Governing Board of the Court Clerk Revolving Fund for the approval of payment.
 - Ensuring the County Clerk issued the cash vouchers and the County Treasurer registered the cash vouchers.

Observation

Inadequate Segregation of Duties Over the Court Fund Expenditures Process

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

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

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

Recommendation

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

Further, the duties of preparing Court Fund claims, issuing vouchers, signing vouchers, and preparing monthly reports which reconcile to the Treasurer should not be performed by one individual.

**Management
Response**

Court Clerk: The Court Clerk has the first deputy to do the claims and the Court Clerk does the vouchers. As for the monthly reports, we have to work on that. You cannot learn that in one month.

Objective 4:

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

Conclusion

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

Methodology

To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the payroll 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 processing, authorizing, and payroll distribution should be segregated.

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

- The County Clerk enrolls new employees, maintains personnel files, prepares OPERS reports, prepares state and federal tax reports, and distributes payroll warrants.
- The part-time deputy posts payroll information into the system, prints payroll claims for approval, prints payroll warrants, and also distributes payroll warrants.

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

Recommendation

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

Further, the duties of enrolling new employees, maintaining personnel files, preparing retirement reports and state and federal tax reports, and distributing payroll warrants should not all be performed by the County Clerk. 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**

County Clerk: We will follow your recommendation to the best of our ability and again have each payroll step reviewed and approved (initialed) by the persons involved in each process. This will also include preparing the various reports associated with the payroll process.

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

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

Methodology To accomplish our objective, we performed the following:

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

Observation **Inadequate Internal Controls Over Fixed Assets and Consumable Inventories**

An important aspect of internal controls is the safeguarding of assets which includes adequate segregation of duties. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of fixed assets and safeguard fixed assets from loss, damage, or misappropriation.

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

Fixed Assets:

- The County Clerk does not password protect inventory records/listings.
- There is no independent oversight of the County Clerk recording fixed asset items received or disposed by other offices/departments.
- Annual physical counts could not be verified due to the following county officials not maintaining supporting documentation of the physical counts:
 - County Treasurer
 - County Sheriff
 - County Commissioners for Districts 1, 2, 3

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

Consumable Inventories:

District 1:

- Fuel logs are not maintained to track fuel consumption.

- One individual receives inventory, maintains consumable records, and performs a physical count of consumable inventory.
- The physical count of consumable inventory could not be verified due to supporting documentation of the physical count not being maintained.

District 2

- Fuel logs are not maintained to track fuel consumption.
- One individual receives inventory, maintains consumable records, and performs a physical count of consumable inventory.

District 3

- Fuel logs are not maintained to track fuel consumption.
- The County Commissioner receives consumable inventory items for tires and chemical products, maintains consumable records of all consumable items, and performs a physical count of tires and chemicals.
- Two employees receive other consumable inventory items and perform physical counts of those items.

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

Recommendation

Fixed Assets:

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

Further, the County Clerk should password protect fixed asset records/listings. There should be independent oversight of the County Clerk recording fixed asset items received or disposed by other offices/departments. Annual verifications of fixed asset items should be performed to properly account for fixed assets and supporting documentation of the verification should be maintained.

Consumable Inventory:

OSAI recommends that each district implement a system of internal controls to provide reasonable assurance that consumable inventories are accurately reported, including adequately segregating duties. Records should be maintained for all consumable inventory items in an accurate manner that reflects consumable inventory by category and reflects current balances.

Further, a periodic physical verification of consumable inventories should be performed, reconciled to inventory records, and supporting documentation of the physical count should be maintained.

**Management
Response**

Board of County Commissioners: Fixed Asset inventory records/listings are now password protected. Annual verifications will be sent to each county barn. The foremen will check accuracy of inventory, initial and send a copy to the courthouse for changes and further verification. Supporting documentation will be maintained.

For consumable inventories, fuel logs will be maintained at each District 1, 2, and 3 barns and the receiving officer will receive inventory. Another employee will maintain consumable inventory records and perform a physical count of inventory items. Additionally, in District 1 supporting documentation will be maintained for consumable inventory records.

County Treasurer: We will keep a current record for fixed assets to be checked yearly and documented.

County Clerk: I have implemented password protect on fixed asset records. I have always had each officer sign off on their inventory at the end of each fiscal year; however, they did not initial beside each item. At the end of this fiscal year 2011, I notified each officer to do so when they check their inventory list that I provided them.

County Sheriff: No response was given.

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

Methodology To accomplish our objective, we performed the following:

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

- Tested compliance of the significant law which included the following:
 - Compared the largest balances per month for the three banks to the amount of pledged collateral to determine that deposits were adequately secured.

Observation

Inadequate Internal Controls Over Pledged Collateral

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

The County Treasurer has not properly designed and implemented internal controls related to pledged collateral. The following was noted:

- The County Treasurer does not monitor pledged collateral amounts to daily bank balances to ensure that county funds are adequately secured.
- County funds were not adequately pledged at one financial institution for eight of the twenty-four days tested.

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

Recommendation

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

**Management
Response**

County Treasurer: We are now checking bank balances daily and monitoring pledged collateral. The funds are adequately secured and documented on the daily reports.

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 items tested, the County complied with 68 O.S. §1370E, which requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of apportioning and disbursing sales tax collections through discussions with the County personnel, observation, and review of documents.
- Tested compliance of the significant law which included the following:
 - Obtained confirmations from the Oklahoma Tax Commission for sales tax payments made to the County and recalculated the amounts apportioned by the County Treasurer to ensure sales tax collections were apportioned to the proper funds.
 - Reviewed 100% of the expenditures from the Renovation of Courthouse Sales Tax Fund to determine funds were expended for the purpose of which such sales tax was designated.

Observation **Inadequate Internal Controls Over the Apportionment of Sales Tax**

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

Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections, internal controls have not been designed to review and recalculate the apportionment of sales tax collections that is presented for appropriation by the County Treasurer.

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

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

Further, OSAI recommends that internal controls be designed and implemented to review and approve the apportionment of sales tax collections for accuracy prior to appropriation of funds.

**Management
Response**

County Clerk: As per your recommendation, I will recalculate the apportionment of sales tax collections that is presented for appropriation by the County Treasurer and it will be reviewed and approved (initialed) by the County Treasurer.

County Treasurer: The County Clerk and I have implemented this recommendation. The County Clerk now recalculates the apportionment of sales tax collections. We both initial and date the recalculation.

Objective 8: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion With respect to the items tested, the County complied with 68 O.S. §2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of apportioning and distributing ad valorem tax collections through discussions with the County personnel, observation, and review of documents.
- Tested compliance of the significant law which included the following:
 - Compared the certified levies for the audit periods to the computer system to determine the Treasurer applied the certified levies, as fixed by the Excise Board of Greer County, to the tax rolls.
 - Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

Observation Inadequate Internal Controls Over Ad Valorem Tax Apportioned and Distributed

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

Upon inquiry and observation of the recordkeeping process of apportioning and distributing ad valorem tax, there is no evidence of independent oversight of the County Treasurer applying the certified levies, as fixed by the Excise Board, to the tax rolls.

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

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

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

Management Response **County Treasurer: The certified levies to the tax rolls were applied by the Treasurer and checked by the temporary help, then signed and dated. This recommendation is implemented that work will be double checked by office employees.**

Other Item(s) 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.

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

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

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

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

County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

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

Recommendation OSAI recommends that the County implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

Management Response No response was given by management.

Observation **Disaster Recovery Plan**

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.

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

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

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

- County Treasurer
- County Clerk
- Court Clerk
- County Sheriff

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**

Emergency Management Director: At the present time, each office does a daily back-up of their information so that it can be retrieved in the event of a disaster. To fulfill the requirement for a written Disaster Recovery Plan, my office will meet with the elected officials and determine how to fulfill this requirement. The plan will address all points as listed in the audit. We will have this plan completed and approved by the end of fiscal year 2012 at which time, each office will have a copy of the plan, training will be conducted and items identified.

County Sheriff: We will work diligently on preparing a written disaster recovery plan in place for the Sheriff's office.



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