

OPERATIONAL AUDIT

KINGFISHER COUNTY

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



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



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

**KINGFISHER 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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October 30, 2012

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

Transmitted herewith is the audit report of Kingfisher 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, reading "Gary A. Jones".

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

BACKGROUND

Kingfisher County was originally a part of the Unassigned Lands opened for settlement during the Land Run of April 22, 1889. Created at statehood, the County was named for King David Fisher, a settler who operated a trading station on the Chisholm Trail.

Kingfisher is the site of the Seay Mansion, restored home of Oklahoma's second territorial governor, A.J. Seay. Built in 1892, it features furnishings from that period. Also located in Kingfisher is the Chisholm Trail Museum, which traces the history of the Chisholm Trail and features Indian artifacts, a restored log cabin, school house, church, and bank. Agriculture is central to the economy of the area, with wheat being the major crop.

For additional information, call the County Clerk's office at 405/375-3887.

County Seat –Kingfisher

Area – 905.96 Square Miles

County Population – 14,348
(2009 est.)

Farms – 1,002

Land in Farms – 566,212 Acres

Primary Source: Oklahoma Almanac 2011-2012

COUNTY OFFICIALS

Eloise McCully	County Assessor
Teresa Wood	County Clerk
Edward Wilczek.....	County Commissioner District 1
Ray Shimanek	County Commissioner District 2
Keith Schroder	County Commissioner District 3
Dennis Banther.....	County Sheriff
Karen Mueggenborg	County Treasurer
Yvonne Dow	Court Clerk

**KINGFISHER COUNTY
OPERATIONAL AUDIT**

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

	Beginning Cash Balance July 1, 2010	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balance June 30, 2011
Combining Information:						
County General Fund	\$ 2,572,117	\$ 2,282,806	\$ -	\$ -	\$ 1,957,930	\$ 2,896,993
T-Highway	2,164,379	3,700,073	456,073		4,151,136	2,169,389
County Health	348,633	452,278			420,785	380,126
1/2 Cent Sales Tax	1,218,317	868,761			395,043	1,692,035
Fire Department Sales Tax	533,068	473,555			462,374	544,249
Free Fair Sales Tax	102,502	471,958			245,581	328,879
CBRI Fund		1,366,765		456,073		910,692
Remaining Aggregate Funds	1,046,586	567,200			329,944	1,283,842
Combined Total - All County Funds	\$ 7,985,602	\$ 10,183,396	\$ 456,073	\$ 456,073	\$ 7,962,793	\$ 10,206,205

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.

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 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 Treasurer's monthly reports.

Finding: Inadequate Controls over the County Treasurer's Monthly Reports and Lack of Segregation of Duties in the Treasurer's Office

Condition: It was determined through discussions with County personnel, observation, and review of documents that the monthly report process was not adequately segregated.

Duties were not adequately segregated in the County Treasurer's Office.

- One employee has the opportunity to issue receipts, void receipts, prepare deposits, record journal entries, and generate financial reports.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the Treasurer's Office.

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 controls 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 approve accounting functions, which would provide independent oversight of the accuracy of the County Treasurer's monthly reports.

Management Response: We have delegated the duties of the daily report and general ledger report to the third deputy. The second deputy will prepare the miscellaneous receipts, monthly report and apportionment. The first deputy will be the deposit preparer. The Treasurer will reconcile the accounts. We are working within a limited budget and utilizing our existing staff to our best ability.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for accurate financial reporting, prevention and detection of errors, and misappropriations.

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.
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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 Treasurer, observation, and review of ledgers and documents.
- Tested compliance with 62 O.S. § 517, which included comparing the largest balance for each bank for each month of the audit period to the amount of pledged collateral to determine that deposits were adequately secured.

Finding: Inadequate Controls over Pledged Collateral

Condition: The County Treasurer indicated that bank balances were monitored for adequate pledged collateral on a daily basis. Upon review of documentation, we determined that evidence of this review was not documented or maintained to ensure that deposits were compared to the amount of pledged collateral on a daily basis. Additionally, the face value of the pledged collateral was relied upon rather than the market value to determine that County deposits were adequately safeguarded from loss.

Cause of Condition: The County Treasurer was not aware that documentation regarding daily monitoring of pledged collateral needed to be maintained.

Effect of Condition: Because documentation of monitoring of pledged collateral was not maintained, we could not determine that controls were in place and operating effectively.

Recommendation: 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: In the future, I will monitor the daily bank balances to the market value of pledged collateral. A collateral sheet is already in place with the amount of certificate of deposits for the banks that have collateral. The sheet provides the amount deposited in the bank, has the 110% FDIC insurance market value, total collateral pledged, and over/under pledged. This is checked when money is deposited and released. This sheet will be printed each time, signed, and dated.

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.

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 did not comply 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.
 - 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 purchase orders from the sales tax revolving fund and determined that expenditures were made for purposes designated on the sales tax ballot.

Finding: Inadequate Controls over the Calculation of Sales Tax and Noncompliance over the Disbursement of Sales Tax

Condition: Upon inquiry and observation of the record-keeping process of collecting and expending sales tax, the following was noted:

- There was no independent oversight of the calculation of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk.
- The County received \$3,471,331 in sales tax during the audit period. Of that amount, \$173,566 was not deposited in the general revenue or sales tax revolving fund, but was remitted directly to the Free Fair Board.

Cause of Condition: Procedures have not been designed and implemented to provide independent review of the calculation of sales tax distribution. The practice of remitting the Free Fair Board portion of sales tax was established before the County became aware of the requirements set forth by 68 O.S. § 1370 E. Therefore, we were unable to determine that sales tax was apportioned correctly and expended for the purpose intended on the sales tax ballot.

Effect of Condition: This condition could result in undetected errors in the distribution of sales tax revenue and the expenditure of the sales tax dedicated to the Free Fair.

Recommendation: OSAI recommends that all sales tax revenue received be deposited in the general revenue or sales tax revolving fund in order to maintain effective internal controls over the expenditure of sales tax. Additionally, all expenditures should be made in accordance with the County Purchasing Act.

Management Response:

County Treasurer: A copy of the ballot for sales tax will be obtained yearly. The formula will be double checked and a worksheet will be used to make sure the calculation is correct. This document will be signed and dated to document that the sales tax apportionment is correct. We will establish on the general ledger a fund for the Free Fair Board for sales tax receipts. Collections will be apportioned on a monthly basis and verified to the County Clerk's record of sales tax receipts.

County Clerk: I concur with the auditor's comments and am implementing the recommendations. The Kingfisher County Free Fair Board advisor has been notified by the State Auditor's representative and the process will be changed as soon as possible.

District 1 County Commissioner and Chairman of the Board: The Board of County Commissioners will recommend that an account be established within the general revenue or sales tax revolving fund, and that all sales tax revenue received by the Free Fair Board be deposited into that account.

Criteria: Effective internal controls require that management design procedures to ensure that sales tax revenue is correctly allotted to each purpose for which it was initiated. Title 68 O.S. §1370E, 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.

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.

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 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 Controls over Ad Valorem Tax Distribution

Condition: Through inquiry, observation, and review of documents, we determined that the ad valorem tax distribution process was not adequately monitored and segregated.

- One employee was primarily responsible for entering the mill levies, receipting ad valorem taxes, and generating the list of receipts.
- The same employee had full administrative authority on the software program.
- There was no documentation that the certified levies were independently reviewed for accuracy after they were entered into the system.

Cause of Condition: In an effort to maximize efficiency and available resources, the County Treasurer has delegated a majority of the ad valorem tax process to one employee. The County Treasurer was not aware that documentation of the review of inputted mill levies needed to be retained.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the Treasurer implement internal control procedures to adequately segregate the duties over distribution of ad valorem taxes and document that an independent review of mill levies is performed to ensure that data is entered in the system correctly.

Management Response: The levies were being put in by one deputy and another deputy was checking the levies to make sure they were correct. In the future we will segregate this key process of entering the mill levies in the system and have someone to check and verify the levies are correct. We will sign and date on the levy sheet that this process has been done.

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 apportioning ad valorem tax should be segregated and reviewed by an independent party.

<p>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.</p>

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. §1505C, 19 O.S. §1505E, and 19 O.S. §1505F, which outlines procedures for acquisition, purchasing, and receiving 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 invoices, receiving report, and delivery documents 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 Controls and Noncompliance over Purchasing Procedures

Condition: Upon observation and inquiry of the officers and staff, we determined the following weaknesses in the controls over the expenditure process:

- A list of usernames and passwords was maintained in an unsecure location.
- The County Clerk did not verify that sufficient funds are available prior to signing the certificate on the Requisition/Purchase Order/Claim.

- One employee had access to all three County Commissioners' and the County Clerk's signature stamp. This individual also had the capability to print warrants.
- Warrants were printed and stamped with signatures and then maintained in an unsecure location prior to the Board of County Commissioners weekly meetings.
- There was no reconciliation of the appropriated accounts between the County Clerk and the County Treasurer's office.
- The receiving agents in the Commissioners' districts were performing requisitioning duties and placing orders with the vendors.
- The date that the warrants were redeemed was not being posted in the accounts payable system.

Additionally, our test of 80 purchase orders revealed the following noncompliance with statutes:

- Nine instances were noted where goods were purchased before the purchase order was properly encumbered.
- Three purchase orders did not have the designated receiving agent's signature on the receiving report.
- The receiving report on one purchase order did not have a signature.
- Two instances were noted where the receiving report was not dated.
- One purchase order did not have an authorized requisitioning officer's signature.

Cause of Condition: Procedures have not been implemented to provide adherence to the statutes and ensure internal controls are in place to mitigate the risks over safeguarding the County's assets with regard to purchasing procedures.

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

Recommendation: OSAI recommends the County implement procedures to ensure compliance with purchasing statutes. Further, we recommend the County consider the risks concerning the expenditures process and implement a system of internal controls to eliminate or reduce those risks.

Management Response:

County Clerk: I concur with the auditor's comments and am implementing the following procedural changes:

- A change in staffing has occurred and every effort is being made to assure the purchasing process and internal controls are in compliance.

District 1 County Commissioner and Chairman of the Board: The Commissioners' courthouse secretary suggested that all Commissioners' district shop secretaries attend training classes on purchasing procedures, provided by the Oklahoma State University County Training Program, at the minimum of every three to four years. This will provide them with the necessary information and training to maintain the correct and proper handling of all issues pertaining to the documentation and handling of county purchasing within their offices.

A copy of the requisitioning and receiving officers' list will be posted at each County shop office, with a reminder to notify the County Clerk's office of the need for any additions and/or changes needed. All

changes to the list will be made, and approved by the Board of County Commissioners, and will also be performed annually as required.

We will be reminded to more adequately inspect the documents sent from the County shop offices before they are turned into the County Clerk's office for payment. Notation will be posted at each district shop office to carefully inspect each document being prepared, to ensure all signatures required are in order.

Proper training and reminder notations will assist in the information being included on all documents.

The Commissioners' courthouse secretary will print and distribute copies of the most recently updated purchasing procedures handbook to each district shop secretary, to ensure the information needed to correctly and efficiently operate their office is provided to them.

District 2 County Commissioner: We will make sure that all duties are performed properly at our district shop before going to the courthouse.

District 3 County Commissioner: Procedures have been implemented to provide adherence to the purchasing statutes and ensure internal controls are in place.

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.

Objective 6:	To determine the County's financial operations complied with 19 O.S. §1505B, which requires county purchases in excess of \$10,000 be competitively bid.
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Conclusion: With respect to the items tested, the County did comply with 19 O.S. § 1505B, which requires that purchases in excess of \$10,000 be competitively bid.

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

- Gained an understanding of the internal controls related to the process of competitively bidding purchases in excess of \$10,000, which included discussions with County personnel, observation, and review of documents.
- Selected a random sample of purchase orders in excess of \$10,000 and determined that the County followed statutes regarding public notice, handling of unopened bids, awarding bids to best bidder, recording appropriate information in Board of County Commissioners' minutes, and notification to successful bidders.

Finding: Inadequate Controls over Bidding Process

Condition: Controls over the bidding process have not been documented and as a result, the following discrepancies were noted in our test of 12 purchase orders requiring the bidding process:

- Notification of successful bidders was not documented for six bids.
- One of the bids received was not time and date stamped to document that the bid was received prior to the bid deadline.
- Five bids tested did not have proof of publications maintained in the bid file.

Cause of Condition: Procedures have not been developed and designed to document compliance with statutes and provide assurance that controls are in place.

Effect of Condition: These conditions could result in undetected errors, misappropriation of funds, and noncompliance with statutes.

Recommendation: OSAI recommends the County implement procedures to ensure that controls over the bidding process are properly performed. These procedures should include:

- Documentation of the notification of successful bidder maintained in the bid file.
- Documentation of the time and date that bids are received on the sealed envelopes and maintained in the bid file.
- Proof of publication maintained in the bid file.

Management Response: It is our intention to follow the law exactly. We have a list of items to be compiled that we attach to the bid file to be checked off as we get them. We will be more diligent in making sure the list of items is complete before filing the bid file.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases requiring the bidding process comply with 19 O.S. § 1505B.

Objective 7:	To determine the County's financial operations complied with 19 O.S. § 180.74 and 180.75 regarding amounts allowed for officers' salaries.
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Conclusion: With respect to the salaries tested, the County complied with 19 O.S. § 180.74 and 180.75, which establish limitations on the amount of county officer's salaries.

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

- Gained an understanding of the internal controls related to the process of determining amounts allowed for officers' salaries, which included discussions with County personnel, observation, and review of documents.

- Reviewed the salaries paid to officers to determine that salaries paid were not in excess of the amount allowed by statute.

Finding: Inadequate Controls over Compliance with Salary Limitations

Condition: The County does not have procedures in place to ensure that salaries are calculated in accordance with state statutes.

Cause of Condition: Procedures to ensure compliance with this statute were not designed and implemented due to the County officials being unaware of a need for such procedures.

Effect of Condition: This condition could result in noncompliance with salary limitations; particularly in the event of fluctuations in the ad valorem tax revenue and population of the County that determines salary limitations.

Recommendation: OSAI recommends the County implement procedures to ensure that the amounts paid to the County officers do not exceed the amounts allowed. These procedures should include calculating the maximum amount allowable, having an independent review of those calculations, and comparing the calculations to the actual salaries. We further recommend that the calculations and verifications be well documented.

Management Response:

County Clerk: The county officers' salaries will be reviewed annually to assure limitations are not exceeded and will be presented to the Board of County Commissioners for approval.

County Assessor: After the current year Excise Board Report has been certified, the Assessor will proceed to calculate the officers' salaries in accordance with statutes. The Assessor will ask the County Clerk to review and recalculate the same to verify the correctness and to ensure the salary amounts paid did not exceed statutory limits. The salary calculations will be presented to the County Commissioners at their weekly meeting for approval.

District 1 and District 2 County Commissioners: The County Clerk and County Assessor will work together to calculate the maximum allowable amount according to statute and then compare those calculations to the current salaries to ensure that amounts paid to the County Officers do not exceed the amounts allowed. Those calculations and verifications will be performed annually and documented accordingly.

Criteria: Effective internal controls include management design procedures to ensure that officers' salaries comply with 19 O.S. § 180.74 and § 180.75.

Finding: Concentration of Payroll Duties

Condition: Upon inquiry with County personnel, observation, and review of documents, we determined that the payroll process was not adequately segregated.

- The payroll clerk enters new employees into the system, activates withholding tables within the software, makes adjustments to the payroll information, enters monthly payroll information, prepares payroll reports, and distributes warrants to various departments.

Cause of Condition: In an effort to maximize efficiency and available resources, the County has relied upon one individual to perform the majority of the payroll process.

Effect of Condition: Because of the condition mentioned above, an opportunity for errors and misappropriation of county assets exists.

Recommendation: OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

County Clerk: Accounting functions of the payroll process are now being adequately segregated.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse.

Finding: Inadequate Controls over the Time Recording and Leave Balance Reporting

Condition: Through discussions with County personnel, observation, and review of documents, we noted the following concerns regarding payroll:

- Leave records are not signed by the employee or approved by an officer or department head.
- The County Assessor, County Clerk, and District 1 Commissioner did not sign the timesheets of their employees.
- Timecards for District 2 and District 3 were not signed by the respective Commissioner.
- Leave records for an employee of District 2 Commissioner, reflected a negative sick leave balance in February of 2010 and May of 2010.
- The 2010 handbook states that annual leave will be accrued on a monthly basis; however, all offices accrue leave on an annual basis.

Cause of Condition: Clearly defined policies have not been adopted to establish controls over the time recording and leave balance reporting.

Effect of Condition: The above conditions could result in errors in reporting of accrued leave and time worked. The conditions could also contribute to confusion and inconsistent treatment of employee benefits.

Recommendation: OSAI recommends that management be aware of the stipulations outlined in the “Employee Personnel Policy Handbook” and adhere to those stipulations. If adherence to the handbook is not feasible, we recommend that the officers revise the handbook in order to better suit the needs of the County. We further recommend that employee timesheets and leave records be signed by the employee and approved by the officer or department head in order to facilitate a control environment that promotes stewardship and accountability over the time recording process.

Management Response:

County Clerk: Leave records will be signed by the employee and the County Clerk.

County Assessor: All leave records will be signed by the County Assessor.

County Sheriff: Effective July 2012, leave records will be signed by the employee and approved and signed by the officer. County Officers will be meeting to discuss the annual leave changes.

District 2 County Commissioner: Timecards will be signed by the Commissioner before leaving the district shop to be turned into the courthouse. We are in the process of revising the Handbook to make the accrual rate for leave correct.

District 1 County Commissioner and Chairman: All employee leave records will be signed by the County Commissioner and the employee at the end of the calendar year, in an attempt to ensure accountability of leave balances. Every effort will be made to ensure that all leave records, timecards, and/or timesheets will be signed by the employee before the records are sent to the courthouse for payroll. All leave requests will be approved by the County Commissioner or district shop foremen, before being sent to the courthouse for payroll.

With regard to an employee having a negative sick leave balance, this circumstance occurred when the cut-off date for payroll and the posting of leave were not within the same payroll period. Every attempt will be made to calculate leave requests in a more understandable and accurate manner.

All County elected Officials will meet to begin the reconstruction of an updated Employee Handbook. The decision will be made at that time, whether to document annual leave as accrued on a monthly basis or accrued on an annual basis. That decision will be clearly stated and adopted as part of the Employee Personnel Policy Handbook.

Criteria: 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.

Objective 8: 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: The County's financial operations did 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.

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 compliance with 19 O.S. § 1504A by randomly selecting 25 consumable items and comparing the amounts recorded to the amounts on hand.

Finding: Inadequate Controls and Noncompliance over Consumable Inventory Records

Condition: When documenting the internal controls and testing compliance, the following was noted:

- The physical verification of consumable items revealed District 1 Commissioner inventory records had four variances and District 2 Commissioner inventory records had one variance.
- Monthly consumable reports were not on file in the County Clerk's office.
- Within each District, one employee performs the following duties:
 - Places the order.
 - Receives the order.
 - Maintains inventory records.
 - Completes inventory reports.
 - Signs the transfer documents for consumables.
 - Physically verifies the items on hand to the report.

Cause of Condition: Procedures have not been designed and implemented for the accurate recording of consumable inventory and to effectively safeguard consumable inventories.

Effect of Condition: These conditions could result in undetected errors or theft of consumable inventories.

Recommendation: OSAI recommends the County adopt policies and procedures to ensure compliance with 19 O.S. § 1504A. These procedures would include filing monthly reports with the County Clerk and segregating the key functions of ordering, receiving, maintaining inventory, and performing the physical count of inventory items.

Management Response:

County Clerk: County Commissioner's monthly reports of consumable items will be maintained in the County Clerk's office.

District 1 Commissioner: Monthly consumable reports will be filed with the County Clerk and an actual periodic count of consumable inventory will be performed. An actual physical count will be documented, signed and dated by employees conducting the count. Receiving duties and inventory control duties will be performed by separate employees to segregate those duties effectively.

District 2 Commissioner: Our consumable lists will be double checked in a timelier manner to ensure that if mistakes have been made that they will be corrected. We will be delegating more duties to other employees for control of inventory and also appointing an order clerk. Monthly consumable items reports will be filed with the County Clerk.

District 3 Commissioner: Procedures have been implemented to ensure compliance with statutes. The duties of receiving and inventory control will be performed by separate employees to ensure compliance with statutes.

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 items from loss, damage, or misappropriation.

Objective 9:	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.
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Conclusion: With respect to items tested, the County did not comply 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.

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 compliance with the significant law which included:
A random selection of 72 fixed assets and verified the items were marked properly with the County identification numbers and "Property of Kingfisher County" as required by 69 O.S. § 645.

Finding: Inadequate Controls over Fixed Asset Inventory Records and Noncompliance with Statutes

Condition: The County has not established procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1. Furthermore, the County has not designed internal controls to provide for adequate segregation of duties over the fixed asset inventory process.

- Each District has inadequate segregation of duties over fixed assets inventory. There is one employee in each District that is primarily responsible for requisitioning the inventory item, receiving the inventory item, attaching the inventory numbers to the item, and keeping track of the location of the item.
- Within the courthouse offices, there is also inadequate segregation of duties. One employee is primarily responsible for requisitioning the inventory item, receiving the inventory item, attaching the inventory numbers to the item, and keeping track of the location of the item.

Additionally, with respect to the items tested, the County did not comply with 69 O.S. § 645. When visually verifying the items from the inventory records filed with the County Clerk, the following was noted:

- District 1 – 5 of the 19 items tested were not properly marked with inventory numbers.
- District 1 – 2 of the 19 items tested were not labeled with “Property of Kingfisher County.”
- District 2 – 4 of the 20 items selected were not properly marked with “Property of Kingfisher County.”
- County Sheriff –1 of the 3 items tested was not marked with an inventory number.

Cause of Condition: The County was not aware that policies and procedures needed to be designed to provide for adequate segregation of duties and periodic inventory of fixed assets. Further, policies and procedures have not been designed to ensure compliance with statutes regarding the identification of fixed assets.

Effect of Condition: These conditions resulted in noncompliance with 19 O.S. § 178.1 and 19 O.S. § 645.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets which also is performed by an individual independent of the fixed asset record-keeping process. We further recommend the County comply with 19 O.S. § 645 by designing procedures to ensure that all equipment is properly marked with County identification numbers and “Property of Kingfisher County.”

Management Response:

County Treasurer: The annual inventory count will be performed, signed, and dated.

County Assessor: An annual physical inventory will be documented by an employee other than the inventory clerk. The inventory will be signed and dated.

Court Clerk: I do have an inventory in place and it is current. The most recent inventory was added on June 13, 2012. As Court Clerk, I have always placed the orders; two people are designated as receiving officers, and one person maintains the fixed asset inventory record on the computer system. An annual physical inventory is performed. But to correct the auditor's finding, a copy of the electronic inventory will be signed and dated as recommended.

County Sheriff: The 2003 Ford Explorer label had faded over time. It was replaced after being brought to our attention. The County officer or assigned deputy will go over inventory list yearly. Once checked, the inventory list will be dated and signed and kept with the inventory book. We have been conducting yearly inventory checks, but haven't dated and signed the sheet. The Sheriff, Undersheriff, deputy, and secretary place orders. The secretary or deputy will receive the order. The secretary will assign inventory numbers and maintain records, which will be checked by the Sheriff.

County Clerk: Fixed assets will be a primary focus of this office and segregation of duties will be a priority. An inventory count will be performed by someone other than the receiving officer or the inventory officer.

District 1 Commissioner: An actual physical inspection will be performed on all fixed assets by the Commissioners' courthouse secretary and district employee, other than the receiving officer and the inventory officer. This inspection will be performed annually to ensure all inventory has the correct and proper County identification number affixed to it, and bear the "Property of Kingfisher County" decal. Documentation of the annual inventory verification and count will be retained with one copy at the Commissioners' courthouse office and one copy at the district office. Both copies will be dated and signed by the District Commissioner and the parties performing the verification and count.

District 2 Commissioner: We have always labeled our equipment, but due to some of the equipment being very old, the stickers have faded or worn off. New stickers will be replacing the old ones. Physical inventory has always been performed, but not usually turned into the County Clerk. We will make sure proper inventory is being done with documentation, signatures, and turned into the courthouse.

District 3 Commissioner: Procedures have been implemented to ensure compliance with statutes. An annual inventory count by an employee other than the receiving officer or inventory officer along with documentation will be performed to ensure compliance with statutes.

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 fixed assets and safeguarding consumable items from loss, damage, or misappropriation.

Objective 10: 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 items tested and items reconciled, the offices of Court Clerk, County Assessor, and County Treasurer did comply with 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of office. The offices of County Clerk and County Sheriff did not comply with 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of office.

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 receipts from each office's depository account and verifying the following:
 - Official depository receipts are deposited daily.
 - Deposits are promptly and accurately recorded as to account, amount, and period.
 - Official Depository receipts agree to the amounts recorded on the deposit.

Finding: Inadequate Controls and Noncompliance over Official Depository Receipting Processes

Condition: Upon inquiry and observation of the Officers' Official Depository receipting process, we noted the following:

- **Court Clerk**
 - All employees operate from the same cash drawer.
 - Everyone is able to void receipts.
 - No one reviews voided receipts.
 - One individual has the opportunity to issue receipts and prepare the deposit.
 - One employee can issue receipts, reconcile the accounts, print the monthly statements, and is able to print and sign vouchers.
- **County Assessor**
 - The Assessor keeps a password list of all employees.
 - The Assessor computer system is not prompting for periodic password changes.
 - Everyone is able to void receipts.
 - No one reviews voided receipts.
 - One employee is issuing receipts, voiding receipts, has custody of collections, makes the deposit, delivers the deposit, and reconciles the account.
- **County Clerk**
 - All employees operate from the same cash drawer.
 - The County Clerk keeps a password list of all employees.

- One employee issues receipts, inputs receipt information into the computer system, voids receipts, balances the cash drawer, prepares the deposit, takes deposit to the Treasurer, reconciles the account to the Treasurer, and writes and signs the vouchers to transfer fees at the end of the month.
 - Everyone in the office is able to void receipts.
 - No one is reviewing voided receipts.
 - During compliance testing, two instances were noted where the total of the receipts did not agree to the deposit total for the day.
- **County Treasurer**
 - One employee has the opportunity to issue receipts, void receipts, prepare the deposit, and reconcile the accounts.
- **County Sheriff**
 - One employee issues receipts, voids receipts, maintains custody of cash/money collected, prepares the deposit, delivers the deposit to the Treasurer's office, reconciles the account, issues and signs vouchers, and prepares monthly reports.
 - During compliance testing, it was noted that on June 13, 2010, records reflect that \$2,000 collected was held for eight business days before being deposited.

Cause of Condition: In order to provide prompt service to the citizens of Kingfisher County and for ease of operations, the offices of the County utilize all employees to issue receipts. Additionally, due to the limited number of personnel within each office, one individual is sometimes responsible for all the key functions within each office.

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

Recommendation: OSAI recommends establishing a system of controls to adequately protect the collections of each office, which include but are not limited to the following:

- The person preparing the deposit does not also issue receipts.
- Each office should establish separate cash drawers for all employees receiving cash.
- Each office should have a process of documenting the review of voided receipts.
- Passwords should be changed at least every 90 days and should not be accessible to anyone other than the assigned user.
- Deposits should be made daily and be reconciled to the receipts issued for the day.

Management Response:

Court Clerk: I believe there is adequate segregation of duties. Yes, all deputies are allowed to write receipts and operate from the same cash drawer. I believe there was a misunderstanding about voided receipts. Not everyone can void receipts and they are reviewed daily, along with all receipts written. If a receipt was voided, that receipt is initialed along with the reason for it being voided as well as documentation on the computer receipt. One deputy runs the deposit report, balancing against the receipts and the cash drawer; receipts are totaled, dated and initialed. Then the deposit is delivered to the Treasurer's office when an employee from the Treasurer's office counts the cash, money orders and checks in their presence and initials the deposit. My bookkeeper runs the end of the month reports, balances with the Treasurer, and those reports are given to the Court Clerk for review.

County Assessor: Passwords will be kept in the vault sealed in an envelope. The computers will be programmed for periodic password changes. All voided receipts will be reviewed. Due to limited office personnel, it is impossible to always separate the duties of receipts and deposits. Office operations and periodic reviews are constantly in place. A third person will reconcile the account. When personnel are available, we segregate duties.

County Clerk: All passwords will be changed every three months and will not be maintained by the County Clerk. All voided receipts will be documented and initialed by the County Clerk or the first deputy. The County Clerk and first deputy will be the only ones to have access to the cash drawer. We will be more diligent when writing receipts to reduce written errors that could occur. We will do all that is possible with staff available to comply with proper segregation of duties.

County Treasurer: The second deputy will issue the receipts and will no longer prepare the deposit or reconcile the accounts. The deposits will be prepared by the first deputy and the Treasurer will reconcile the account.

County Sheriff: The secretary was on vacation from June 11 through 18, 2010, at which time, the Undersheriff was to make deposits. When the secretary returned on June 21, 2010, she wasn't told of a cash bond until June 23, 2010. She made the deposit on that date. Currently, when the secretary is gone or on vacation, the Sheriff or Undersheriff will make timely deposits.

Auditor's Response: The duties within the Court Clerk's office are not adequately segregated.

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 the cash drawer, preparing and making deposits, and reconciling account balances 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, or clerical errors that are not detected in a timely manner.

Objective 11:	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.
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Conclusion: With respect to items tested, 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.

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 internal controls over Court Clerk Revolving Expenditures, which included verifying the following for 18 claims (100% of those issued):
 - Claims were prepared for expenditures from the fund.
 - The claim was properly authorized for payment.
- Tested compliance with 20 O.S. § 1304, which included the following:
 - Randomly selected 40 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 Court Clerk or associate district judge.

Finding: Inadequate Controls over Court Clerk Revolving Fund Expenditures

Condition: During our test of controls, we noted the following:

- Claim #110 and voucher #7 had no evidence of being registered by the County Treasurer.
- We were not able to locate claim #112 in the County Clerk's office.

Cause of Condition: Procedures have not been designed to monitor the effectiveness of internal controls that are designed and implemented.

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

Recommendation: OSAI recommends controls are implemented to ensure that all claims are on file with the County Clerk and all vouchers are registered with the County Treasurer.

Management Response:

County Clerk: The County Clerk's office will make every effort to ensure that all claims are on file in our office.

County Treasurer: Voucher #7 from the Court Clerk Revolving Fund was not brought over to the County Treasurer's office to be registered. The Clerk's office brought checks at 9:48 a.m. and they were signed and registered. The Clerk brought another register at 3:32 p.m., but failed to have the Treasurer's office register it and had mailed the check out before getting the Treasurer's office to register it.

Criteria: Effective internal controls include management design procedures to ensure that court fund monies are spent in accordance with 19 O.S. § 220 and 20 O.S. § 1304.

Finding: Inadequate Internal Controls over Court Fund Duties

Condition: It was determined through discussions with County personnel, observation, and review of documents that the court fund expenditure process was not adequately segregated.

- The Court Clerk orders the items, prepares and approves the claim, prepares and issues the vouchers.

Cause of Condition: Because the Court Clerk is ultimately responsible for the Court Fund, she feels most comfortable in performing the Court Fund related duties herself.

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

Recommendation: OSAI recommends that procedures be developed to separate key functions with regard to the court fund disbursement process.

Management Response:

Court Clerk: I have always taken responsibility for the court fund and revolving fund accounts, claims, reports, and balances. I review all claims submitted for payment along with attached documentation to the claim. I prepare the claim, present the claim to the district judge and local associate district judge for signature. I then sign each claim to show that I have reviewed and that they are now ready for payment. I write and sign the voucher and then take it to the Treasurer's office to register. Then it is mailed by the Court Clerk or one of her deputies.

As to the Court Fund claims, I always believed that my duties were segregated due to the district judge and associate district judge signing the claim along with the Court Clerk with the proper documentation attached. The Treasurer's office is also a part of the segregation of duties since they register the voucher.

As to the Court Clerk Revolving Fund claims, I always believed that my duties were segregated due to the district judge and associate district judge signing the claim along with the Court Clerk with the proper documentation attached. The claim is then taken to the County Clerk's Office for payment where a purchase order is prepared, signed by the purchasing agent and approved by County Commissioners. A voucher is written and the County Clerk registers it with the Treasurer's Office and mailed by either the County Clerk's Office or the Court Clerk's Office.

Auditor's Response: The duties within the Court Clerk's office are not adequately segregated.

Criteria: Effective internal controls include management design procedures to ensure that court fund monies are spent in accordance with 19 O.S. § 220 and 20 O.S. § 1304.

All 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 risk 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 could be included in the County's policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.

**KINGFISHER COUNTY
OPERATIONAL AUDIT**

Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response:

District 1 Commissioner: All elected officials will work together to develop and implement a policies and procedures handbook, enabling them to monitor and address risk management. The policies and procedures handbook will be provided to all County offices. Procedures will include, but not be limited to: segregation of duties, daily backups of information, attending workshops, written disaster recovery plans, training and monitoring.

Policies and procedures to address monitoring will include meetings to promote better communication between officers and employees, more frequent reviews of the County financial statement, to ensure accuracy, reviewing the SEFA of the County for accuracy, determining that audit findings are resolved, more frequent reviews of budgeted amounts to actual amounts and resolution of unexplained differences, ensuring that employees understand expectations in meeting goals of the County, determining sources of complaints and the course of action for resolution and working together to ensure the Estimate of Needs is accurate and complete.

Documentation will be required in an attempt to ensure a proper monitoring system within all County offices. Reviews of the policies and procedures will be made regularly within each office. Results will be documented and filed in each office.

District 2 Commissioner: The County will work to provide a written plan of action to establish better communication between all County offices. Elected officials will meet as needed to promote communication and address problems.

County Assessor: All officers will meet as necessary to maintain the goals and objectives of the County. Any issues or concerns of the County will be addressed at that time. The Assessor's office will conduct a weekly discussion period for internal control.

County Sheriff: Due to office size and inadequate budget, we are unable to hire another clerical person; however, the Sheriff and Undersheriff will oversee the secretary's daily work.

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:

- County Sheriff
- County Commissioners

The following offices have Disaster Recovery Plans; however, they are not currently up to date or lack important elements:

- Court Clerk
- County Clerk
- County Assessor

Cause of Condition: Procedures have not been designed and implemented 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: The Disaster Recovery Plan will be updated as necessary.

County Sheriff: We have since completed a written Disaster Recovery Plan for office computer files that will be added to our office policies and procedures.

Court Clerk: The Disaster Recovery Plan has been brought up to date as recommended as of July 18, 2012.

County Clerk: The Clerk will update the Disaster Recovery Plan.

District 1 Commissioner: All elected officials will work together to develop a Disaster Recovery Plan for their respective office that will help to ensure that information and systems within each County office will remain uninterrupted in the event of a disaster.

District 2 Commissioner: In the event of a disaster, we will temporarily move headquarters to District 1, District 3, or the courthouse to carry on everyday operations until our shop or office can be re-established in Hennessey. The Commissioners can share equipment in the event of an emergency until their own equipment can be replaced.

Auditor's Response: District 2 Commissioner should have a written Disaster Recovery Plan.

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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