

OPERATIONAL AUDIT

PAWNEE COUNTY

For the period July 1, 2007 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

**PAWNEE COUNTY OPERATIONAL AUDIT
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 30, 2011**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 7, 2012

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

Transmitted herewith is the audit report of Pawnee County for the period July 1, 2007 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 that reads "Gary A. Jones".

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

BACKGROUND

Originally part of the Cherokee Outlet, Pawnee County lies between the Cimarron River on the south and the Arkansas River on the north. The lands were opened to settlement by lottery in 1892, and the County was designated County "Q." Later the name was changed to honor the Pawnee Indians who located here in the nineteenth century.

At statehood, the county was created with an area slightly larger than Pawnee County, Oklahoma Territory. The County is primarily noted for agriculture and cattle. Today, Keystone Lake and the Pawnee Bill Museum in Pawnee, the County seat, are major tourist attractions along with Lone Chimney Lake south of Pawnee.

The major manufacturing company is Columbia Windows. Two newspapers, the *Pawnee Chief* and the *Cleveland American*, and two hospitals, Pawnee Municipal Hospital and Cleveland Hospital, serve the County. The Burlington Northern Santa Fe Railroad and the Cimarron Turnpike provide ready access to the County.

The Oklahoma Steam and Gas Engine Association holds its annual show in Steam Engine Park in Pawnee the first weekend in May for those interested in historical agricultural machinery.

For additional information, call the County Clerk's office at 918-762-2732.

County Seat – Pawnee Area – 594.87 Square Miles

County Population – 16,419
(2009 est.)

Farms – 862 Land in Farms – 297,621 Acres

Primary Source: Oklahoma Almanac 2011-2012

COUNTY OFFICIALS

- Marilyn Swift County Assessor
- Marcelee Welch County Clerk
- David Wilkins County Commissioner District 1
- J.T. Adams County Commissioner District 2
- Dale Carter County Commissioner District 3
- Mike Waters County Sheriff
- Carrie Tatum County Treasurer
- Janet Dallas Court Clerk

**PAWNEE 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	\$ 385,273	\$ 1,186,004	\$ 300,000	\$ 300,000	\$ 1,275,610	\$ 295,667
Sales Tax	1,406,085	973,764	300,000	300,000	818,674	1,561,175
County Health	217,141	155,409	-	-	140,828	231,722
County Highway	999,877	2,290,590	-	-	2,315,776	974,691
Sheriff Service Fee	314,046	130,807	-	-	109,098	335,755
Tribal Prisoner	350,982	133,722	-	-	78,293	406,411
County Rd. Bridge Improv. CBR5	-	1,049,903	-	-	430,311	619,592
Remaining Aggregate Funds	527,237	338,378	-	-	152,310	713,305
Combined Total - All County Funds	\$ 4,200,641	\$ 6,258,577	\$ 600,000	\$ 600,000	\$ 5,320,900	\$ 5,138,318

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, 2007 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 for FY 2011.

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

- Gained an understanding of internal controls related to the process of accurately presenting the receipts apportioned, disbursements, and cash balances on the County Treasurer's monthly reports through discussions with the County Treasurer, observation, and review of documents.
- Performed the following to ensure receipts apportioned, disbursements, and cash balances were accurately presented on the County Treasurer's monthly reports:
 - Reconciled County Treasurer's receipts to amounts apportioned on the County Treasurer's monthly reports.
 - Reconciled the County Clerk's warrants issued to disbursements paid by the County Treasurer.
 - Re-performed the bank reconciliations at June 30, 2008, 2009, 2010, and 2011 to determine that all reconciling items were valid, and ending balances on the General Ledger agreed to the ending balances reflected on the County Treasurer's monthly reports.

Finding: County Treasurer and County Clerk do not reconcile monthly

Condition: The County Treasurer and County Clerk do not reconcile the County Treasurer's general ledger to the County Clerk's appropriation ledger.

Cause of Condition: Procedures have not been designed and implemented to reconcile the County Treasurer's financial records to the County Clerk's records on a monthly basis.

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 and County Clerk design and implement procedures to reconcile the County Treasurer's apportionments to the County Clerk's appropriations, the County Treasurer's warrants registered to the County Clerk's warrants issued, and the County Treasurer's general ledger balances to the County Clerk's appropriation ledger balances on a monthly basis.

Management Response:

County Treasurer: Our office does balance the Appropriation Ledger with the County Clerk. We also balance the General Ledger with all the other office's including the Health Department. This is our first

time for this type of audit. We will implement the new recommendations into our monthly balancing procedures.

County Clerk: When time permits, we will work with the Treasurer to reconcile the apportionments with our appropriation ledger. At this time we do balance our appropriation ledger with the Treasurer's ledger on cash funds, sales tax and general accounts.

Criteria: Effective internal controls require that management properly implement procedures to reconcile the County Treasurer's apportionments to the County Clerk's appropriations, the County Treasurer's warrants registered to the County Clerk's warrants issued, and the County Treasurer's general ledger balances to the County Clerk's appropriation ledger balances on a monthly basis.

<p>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.</p>

Conclusion: With respect to the days tested, the County complied with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

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

- Gained an understanding of the internal controls related to pledged collateral through discussions with the County Treasurer, observation, and review of ledgers and documents.
- Tested compliance with 62 O.S. § 517.4, which included comparing the largest balance per month at all banks for the audit period to the amount of pledged collateral to determine that deposits were adequately secured.

Finding: Inadequate Internal Controls over Pledged Collateral

Condition: The County Treasurer does not maintain evidence to document that the County's deposits are secured on a daily basis. However, the County Treasurer does maintain a ledger to monitor pledged securities on a weekly and monthly basis during tax season. The County Treasurer corresponds with the bank on a daily basis to compare the daily bank balances against pledged securities, but does not maintain evidence of this comparison.

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

Effect of Condition: Based on interviews with the County Treasurer, it appears that controls have been designed to ensure the County's daily bank balances are adequately secured by pledged collateral. However, because documentation of this process was not retained, we could not determine that controls

were operating effectively. This condition could result in County deposits with financial institutions being under/over-collateralized.

Recommendation: OSAI recommends the County Treasurer document the monitoring of the daily bank balances to the market value of the pledged collateral to provide reasonable assurance that assets are adequately safeguarded.

Management Response:

County Treasurer: The pledged collaterals are checked daily. I was not keeping a ledger. A ledger will be implemented into this process.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure that County funds are properly secured, the County Treasurer should maintain a ledger to monitor pledged securities on a daily basis to ensure that the County is in compliance with 62 O.S. § 517.4.

<p>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.</p>

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

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

- Gained an understanding of the internal control process of receipting, apportioning, and disbursing sales tax collections through discussions with County personnel, observation, and review of documents.
- Tested internal controls for three months per fiscal year which included:
 - Verified that an employee recalculated the apportionment of sales tax collections as well as ensuring the correct apportionment percentages went to the proper funds.
- 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.

- Randomly selected 25 disbursements per fiscal year made from the sales tax revolving fund and verified that the disbursement purpose was for which the 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 County Treasurer applied the certified levies, as approved 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: The County did not maintain documentation that certified levies were reviewed for accuracy when entered into the ad valorem system by the Treasurer.

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

Effect of Condition: Because of the condition mentioned above, it appears that controls over ad valorem tax apportionments have not been designed. However, because there is no evidence of the controls to review, we could not determine that controls were operating effectively. This condition could result in undetected errors.

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:

County Treasurer: I ran a sample of School Districts J4 and J103 and was able to balance, within one cent of one and two cents of the other. I reported my finding to the auditor and informed them that they may have the wrong information. I was never contacted again about this until this report was given to me.

Auditor Response: Year- end recalculations of ad valorem tax collections were performed for 2008, 2009, 2010, and 2011. Collections were not accurately apportioned for FY 2008 and FY 2011.

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.

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

Conclusion: With respect to the items tested, the County did comply with 19 O.S. § 1505C, 19 O.S. § 1505E, and 19 O.S. § 1505F, which outlines procedures for expending county funds.

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 internal controls which included reviewing a random sample of 25 expenditures per fiscal year for the following:
 - Ensuring the Deputy Clerk certified that the amount of the encumbrance had been entered against the designated appropriation accounts and that the amount did not exceed the available balance of appropriations.
 - Ensuring the receiving officer verified that all items listed on the invoice had been received and completed a receiving report with his or her signature.
 - Ensuring that the Purchasing Agent reviewed the purchase order, checked the amounts for accuracy, and that all required information was attached.
- Tested compliance of the significant law, which included selecting a random sample of 25 purchase orders per fiscal year from county funds and determining 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.

**PAWNEE COUNTY
OPERATIONAL AUDIT**

- 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.

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.

Conclusion: With respect to the items tested, the County did not 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.
- Tested internal controls which included the following:
 - Determining that all purchases for \$10,000 or more are initiated in a Board of County Commissioners' open meeting with a majority approval to go out for bids.
 - Through interviews, determining that the purchasing agent is aware of statutory bid limits and reviews all requisitions to determine if the purchase should be bid.
 - Reviewing tabulations of submitted bids prepared by the purchasing agent and reviewing minutes of the Board of County Commissioners' open meeting for documentation of the discussion of submitted bids.
 - Determining that a majority of the Board of County Commissioners approved the bid in an open meeting and recorded reasons for not accepting the lowest bid.
- Tested compliance with 19 O.S. §1505B for county purchases exceeding \$10,000, which included the following:
 - Selected a random sample of five purchases per fiscal year in excess of \$10,000 and determined that the County followed statutes regarding public notices, handling of unopened bids, awarding bid to best bidder, recording appropriate information in BOCC minutes, and notification to successful bidders.

Finding: Inadequate Documentation for Purchase Orders

Condition: Internal controls have not been implemented to ensure compliance with purchasing statutes.

- Of the five purchases per fiscal year selected to audit, one purchase for fuel did not have documentation to support the fuel bid, which includes the companies contacted and their bid for the fuel.

Cause of Condition: The County Clerk's Office did not maintain all documentation required in the bid packet.

Effect of Condition: These conditions could result in noncompliance with state statutes.

Recommendation: OSAI recommends the County implement procedures to ensure compliance with purchasing statutes by maintaining all documentation required in the bid packet.

Management Response:

County Clerk: We will try to ensure that all necessary documentation is attached to each purchase order.

Criteria: Effective internal controls require that the County Clerk's Office properly implement procedures to maintain and review the bid packets for all documentation required.

Objective 7: To determine the County's financial operations complied with 19 O.S. § 180.62 and § 180.63 regarding amounts allowed for officers' salaries.

Conclusion: With respect to the discussions held with County personnel and observance of documentation, the county did comply with 19 O.S. § 180.62 and 180.63 regarding amounts allowed for officers' 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.
- OSAI reviewed the salaries of the elected officials with the Salary Calculation Worksheet.

Finding: Inadequate Segregation of Duties over the Payroll Expenditures

Condition: The Payroll Clerk enrolls new employees, maintains personnel files, prepares OPERS reports, prepares state and federal tax reports, posts payroll information into the system, prints and distributes payroll warrants.

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 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 and having an independent review of those calculations.

Further, 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: We are in the process of training another person to enroll new employees. Currently, we separate the payroll warrants by office then a designated person from each office picks up their warrants after signing for them. We will make an effort to have a person other than the one that prepares the payroll distribute the warrants to the other offices.

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

<p>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.</p>
--

Conclusion: With respect to the discussions held with County personnel and observance of documentation, the County did not comply with 19 O.S. § 1504A, which requires the receiving officers to maintain a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by their department.

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

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

- Tested compliance with 19 O.S. § 1504A by comparing each district's fuel logs to a physical measurement of fuel for accuracy.

Finding: Inadequate Fuel Logs

Condition: The County did not have procedures in place to ensure that consumable inventory was maintained in accordance with 19 O.S. § 1504A.

- As a result, District 1 and 2 fuel did not reconcile to the amount of fuel on hand. District 1 Diesel was 1,208.2 gallons short of the fuel on hand. District 2 Unleaded Gas was 355 gallons over the fuel on hand.

Cause of Condition: Procedures have not been designed and implemented to accurately report fuel records and safeguard consumable inventories.

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

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These procedures would include keeping accurate fuel logs and reconciling to the actual fuel on hand on a weekly or monthly basis.

Management Response:

County Commissioner District 1: District 1 has implemented procedures to account for fuel consumption on a daily and weekly basis at the District 1 Warehouse and the Commissioner's Office in compliance with 19 O.S. § 1504A. Investigation will continue on the diesel shortage until the error is uncovered or it is determined whether the error is mathematical or mechanical.

County Commissioner District 2: District 2 has implemented procedures to account for fuel consumption on a daily and weekly basis at the District 2 Warehouse and the Commissioner's Office in compliance with 19 O.S. § 1504A. Investigation into fuel overage is being done to determine if it is a mathematical error or if it is a mechanical error on the tank gauges and take the appropriate corrective action.

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 safeguard consumable inventory 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.

Conclusion: With respect to the 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 Pawnee 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 Pawnee County," which included discussions with County personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Randomly selected ten items from each elected official’s inventory records and verified the items were properly marked with the County identification number and “Property of Pawnee County” as required by 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:

- County Assessor – 1 of the 10 items tested could not be located.
- County Assessor – 2 of the 10 items tested were not labeled “Property of Pawnee County” as well as the inventory asset number.

- Court Clerk – One of the ten items tested could not be located.
- County Sheriff – 10 of 10 items tested did not have an inventory asset number.
- County Sheriff – 2 of 10 items tested were not labeled with “Property of Pawnee County.”
- County Sheriff – 1 of 10 items tested could not be identified by an inventory asset number or serial 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 Pawnee County.”

Management Response:

County Assessor: Following the audit November 7, 2012, the camera that could not be found the day of the audit has been found. It was in the possession of the field appraiser. The model 650 plotter was traded in on a model T1100 plotter in 2009. It has, since November 7, 2012, been labeled with an asset number and with a label “Property of Pawnee County.” In addition, we have made the effort to label other inventory items with “Property of Pawnee County.” We are in the process of deciding on the time of year to do an annual inventory review in our office.

County Sheriff: The Sheriff's Office is in the process of updating their current inventory list and in the process of labeling all County Sheriff property.

County Commissioner District 1: Pawnee County District 1 has implemented procedures to inventory assets on an annual basis in accordance with 19 O.S. § 178.1. A copy of the fixed asset inventory will be signed and dated by the person completing the inventory and filed at the warehouse and the Commissioner's Office. All assets that were not properly marked properly have been corrected.

County Commissioner District 2: Pawnee County District 2 has implemented procedures to inventory its assets on an annual basis in compliance with 19 O.S. § 178.1. Completed inventory will be signed and dated by person doing said inventory and copies will be kept at warehouse and filed at the Commissioner's Office at the Courthouse.

County Commissioner District 3: District 3 has implemented procedures to inventory assets on an annual basis to comply with 19 O.S. § 178.1. A copy of the Fixed Asset Inventory will be placed in the folder as verification of inventory. The copy will be signed and dated with any/all discrepancies noted.

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 days tested and items reconciled, the County complied with state statute 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of the 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 ten receipts from the official 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 Segregation of Duties over Officers' Official Depository Accounts

Condition: Based upon inquiry and observation of the Officers' Official Depository receipting process, the following was noted:

County Court Clerk: All employees issue receipts and work from one cash drawer. The employees who work from the cash drawer also reconcile the cash drawer and make the deposit.

County Clerk: All employees issue receipts and work from one cash drawer. All employees issue receipts and take turns reconciling the cash drawer, preparing the deposits, and reconciling the official depository account with the County Treasurer.

County Treasurer: All employees work from one cash drawer. All employees issue receipts and take turns reconciling the cash drawer, preparing the deposits, and reconciling the official depository account with the official depository ledger.

County Clerk: We are unable to change our current system at this time. This issue will have to be addressed after the County Clerk returns from sick leave.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties over the collections process for the Official Depository accounts.

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 should not issue receipts or reconcile the account to the Treasurer's monthly report.
- Each office should establish separate cash drawers for all employees receiving cash.

Management Response:

County Treasurer: We are aware of the auditor wanting each person to have their own cash drawer. I will be contacting them to see how to implement this into our small office.

Court Clerk: The Pawnee County Court Clerk believes there is adequate segregation of duties to ensure there is no risk of misappropriation of funds. All employees are allowed to print receipts. Two deputies take turns preparing the daily deposit. Another deputy does the reconciliation with the Treasurer's Office. Another deputy does the disbursements and end of month reconciliations which the elected official approves and signs off on. This is a small office, one cash drawer is sufficient. I as an elected official assume all risk involved.

Auditor Response: The duties regarding the receipting process are not adequately segregated in the Court Clerk's office.

County Clerk: We are unable to change our current system at this time. This issue will have to be addressed after the County Clerk returns from sick leave.

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.

Conclusion: With respect to court clerk revolving monies and court fund monies tested, the County complied with 19 O.S. § 220 and 20 O.S. § 1304, which outlines procedures for expending court clerk revolving 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 compliance with 20 O.S. § 1304 for the Court Fund, which included the following:
 - Randomly selected 25 Court Fund claims per fiscal year and verified the following:
 - Expenditures were made for the lawful operation of the office.
 - Claims were approved by the court clerk and either the district or associate district judge.

- Tested compliance with 19 O.S. § 220 for the Court Clerk Revolving Fund, which included the following:
 - Randomly selected 10 claims per fiscal year from the Court Clerk Revolving Fund Claims and verified the following:
 - Expenditures were made for the operation of the court.
 - Claims were approved by the district judge and either the court clerk or the local associate district judge.

Finding: Inadequate Mail Log

Condition: It was determined through discussions with Court Clerk personnel, observations, and review of documents that the Court Clerk does not complete a mail log.

Cause of Condition: Procedures have not been designed and implemented to complete a mail log.

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

Recommendation: OSAI recommends that a mail log be implemented to prevent unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Management Response:

Court Clerk: At the time of the State Auditor’s suggestion that a daily mail log be done, I implemented a system of the person opening the mail sign off on a calendar form showing they opened the mail. When in conference with the State Auditor’s workers, I was advised that the intention of a mail log is that each piece of mail received be recorded on a ledger. At this time, this is not feasible due to small staff, large workload, and limited time available. I have implemented a procedure that two employees open mail together and sign off on calendar form.

Criteria: Effective internal controls should be designed to analyze and check accuracy, completeness, and authorization of all Court Clerk mail collections.

Objective 12: To determine the County Sheriff’s Inmate Trust Fund financial operations complied with 19 O.S. § 531A, which requires these funds only be expended to refund monies to inmates or to transfer funds to the Sheriff’s Commissary Fund for inmate expenditures.
--

Conclusion: With respect to the County Sheriff’s Inmate Trust Fund, the Sheriff did comply with 19 O.S. § 531A, which requires these funds only be expended to refund monies to inmates or to transfer funds to the Sheriff’s Commissary Fund for inmate expenditures.

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

- Gained an understanding of the internal controls related to expending funds from the Sheriff’s Inmate Trust Fund, which included discussions with County personnel, observation, and review of documents.
- Tested internal controls which included selecting 10 inmate accounts per year and determining the following:
 - A separate account is set up for each inmate upon book-in.
 - Determined inmate purchases were made and charged to the inmate’s account only after receiving the inmate’s written approval.
 - Reviewed cancelled checks for return of inmate funds upon release to determine checks were signed by two authorized check signers.
 - Reviewed three bank reconciliations for each fiscal year and determined the reconciliation was accurate and reviewed by someone other than the preparer.
- Tested compliance with 19 O.S. § 531A which included the following:
 - Randomly selected 10 inmate accounts per fiscal year to determine inmate trust disbursements were issued for statutorily authorized purposes.

Finding: Inadequate Internal Controls over Deposits with the Inmate Trust Fund

Condition: The Sheriff's Office does not make daily deposits of funds.

Cause of Condition: Procedures have not been designed to deposit funds on a daily basis.

Effect of Condition: These conditions could result in unrecorded transactions and undetected errors.

Recommendation: OSAI recommends that the Sheriff's Office deposit all monies received on a daily basis.

Management Response:

County Sheriff: Due to a low inmate count in the jail, we make deposits on Friday afternoons (sooner if needed.) This works for our facility, because we have visitation on the 1st and 3rd weeks of the month. This leads to smaller money intake in the kiosk on the other weeks. While the money is locked in the kiosk in the front lobby, it is under 24 hour video surveillance.

Auditor Response: Collections received in the Sheriff's office should be deposited daily.

Criteria: Effective internal controls require that management properly implement procedures to ensure inmate monies are properly accounted for and accurately reflected in the commissary information system.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV