OPERATIONAL AUDIT

Seminole County

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

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

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

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Oklahoma State Auditor & Inspector

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December 3, 2012

TO THE CITIZENS OF
SEMINOLE COUNTY, OKLAHOMA

Transmitted herewith is the audit report of Seminole County for the period July 1, 2008 through June 30, 2011.

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

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

Sincerely,

Gary A. Jones

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

BACKGROUND

Taking its name from a Creek work meaning “runaway” or “those who camp at a distance,” this county was originally part of the Seminole Nation, Indian Territory. As a result of a treaty with the Creeks in 1856, the Seminoles received an estimated 2,169,080 acres of land in the Indian Territory where they could establish their own government and laws. They were the last of the Five Civilized Tribes to organize their government in this region.

Although oil exploration began near Wewoka as early as 1902, it was not until 1923 and the discovery of the Greater Seminole Field that the county experienced an economic boom. By September 1929, this became the premier high-gravity oil field in the United States. Now, agriculture and manufacturing also contribute to the economy.

Businesses engaged in the production of clothing, oil field chemicals and tanks, air blasting equipment, and others are located in the area. Seminole State College continues the tradition first exemplified by the founding of the Mekasukey Academy for Seminole boys in 1891 and the Emahaka Boarding School for Seminole girls in 1893.

Sources of recreational activities include area lakes as well as public golf courses in Seminole and Wewoka. For more information, call the County Clerk’s office at 405/257-2501.

County Seat – Wewoka | Area – 640.57 Square Miles

County Population – 24,296
(2009 est.)

Farms – 1,172 | Land in Farms – 250,751 Acres

Primary Source: Oklahoma Almanac 2011-2012

COUNTY OFFICIALS

Billy Parks .... County Assessor
Tahasha Wilcots .... County Clerk
Herb Williams .... County Commissioner District 1
Fred Combs .... County Commissioner District 2
Clifton Taylor .... County Commissioner District 3
Shannon Smith .... County Sheriff
Lisa Turpin .... County Treasurer
Kim Davis .... Court Clerk

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

	Beginning Cash Balance July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balance June 30, 2011
Combining Information:				
County General Fund	$ 496,444	$ 1,946,309	$ 1,883,007	$ 559,746
County Highway	2,251,561	3,954,049	3,648,577	2,557,033
County Health	351,495	313,461	183,514	481,442
County General Sales Tax	457,948	263,723	158,437	563,234
Highway Sales Tax	877,117	791,168	498,200	1,170,085
Sheriff Sales Tax	82,623	263,736	271,982	74,377
Sheriff Service Fees	56,388	147,412	158,647	45,153
Sheriff Transport B-4	69,083	197,858	219,175	47,766
Special Road Project - BIA	84,992	102,682	107,997	79,677
Home Program	12,500	15,000	27,500	-
Emergency 911	84,144	371,982	406,030	50,096
Jail Tax	1,475,239	1,220,276	1,501,244	1,194,271
Fire Tax	496,709	600,941	455,041	642,609
Remaining Aggregate Funds	892,177	1,167,286	228,186	1,831,277
Combined Total - All County Funds	$ 7,688,420	$ 11,355,883	$ 9,747,537	$ 9,296,766

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

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

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

The audit period covered was July 1, 2008 through June 30, 2011.

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

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

Objective 1:	To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2011.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

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

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

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

Finding: Inadequate Internal Controls over the County Treasurer's Monthly Reports

Condition: Upon inquiry of the reconciliation process of apportioned receipts, disbursements, and cash balances between the County Treasurer and County Clerk, supporting documentation of the reconciliation is not maintained by either of the officials.

Cause of Condition: Procedures have not been designed and implemented regarding the reconciliation of receipts apportioned, disbursements, and cash balances.

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

Recommendation: OSAI recommends that the County Treasurer implement a system of internal control to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are reconciled and evidence of reconciliation is maintained to ensure the County Treasurer's monthly reports are accurately presented.

Management Response:
County Treasurer: During and after the First Deputy's duties, I, Lisa Turpin (Treasurer) verify her work on the monthly reports, apportionments, auditor's report, postings to budget, and I look at the general ledger daily. We agree with the recommendation on segregation, but due to limited personnel, it is hard to do.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of financial records, the duties of compiling monthly reports, bank reconciliations, and performing and maintaining the general ledger should be segregated.

Finding: Bank Reconciliation – Tax Account

Condition: While performing bank reconciliations for June 30, 2011, we noted that the Tax Account reflected a balance of $5,617.00 that was not included on the general ledger.

Cause of Condition: Procedures have not been designed and implemented to ensure all bank accounts are reconciled to the general ledger.

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

Recommendation: OSAI recommends the County Treasurer implement controls to ensure all bank accounts are reconciled to the general ledger on a monthly basis.

Management Response: I will review account balances and reconcile bank balances with the general ledger.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of financial records, the duties of compiling monthly reports, bank reconciliations, and performing and maintaining the general ledger should be segregated.

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

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

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

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

Finding: Inadequate Segregation of Duties over the Receipting Process

Condition: Based upon inquiry and observation of the receipting process, we noted that the duties of receipting, depositing, and maintaining ledgers have not been properly segregated in the following offices:

- County Treasurer
- County Sheriff
- County Clerk
- County Assessor
- County Election Board
- Court Clerk

Cause of Condition: Procedures have not been designed and implemented to ensure that internal controls are in place regarding segregation of duties.

Effect of Condition: A single person having responsibility for more than one area of recording, authorizing, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

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

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

County Treasurer: Employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the deposit, making the deposit, and posting to the ledger should be segregated.

County Sheriff: The duties of issuing receipts, preparing the deposit, and making the deposit should be segregated. A reconciliation of receipts to cash and checks collected should be performed. Monies deposited into the Sheriff's Official Depository should be vouchered to a cash fund on a monthly basis.

County Sheriff/Inmate Trust Fund: The duties of receipting monies, reconciling monies to receipts, preparing deposits, and making deposits should be segregated.

County Clerk: Employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the deposit, making the deposit, and issuing vouchers should be segregated.

County Assessor: Employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the deposit, making the deposit, and issuing vouchers should be segregated. Monies collected should be deposited with the County Treasurer on a daily basis.

County Election Board: Employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the deposit, making the deposit, posting to the ledger, and issuing vouchers should be segregated.

Court Clerk: Employees should not all work from the same cash drawer. The duties of issuing receipts, balancing the cash drawer, preparing the deposit, and making the deposit should be segregated.

Management Response:
County Treasurer: During and after the First Deputy's duties, I, Lisa Turpin (Treasurer) verify her work on the monthly reports, apportionments, auditor’s report, postings to budget, and I look at the General Ledger Daily. We agree with the recommendation on segregation, but due to limited personnel, it is hard to do.

County Sheriff: We acknowledge this finding and will continue to try to segregate these duties to the best of our abilities within the constraints of our budget.

County Clerk: We acknowledge this finding and will continue to try to segregate these duties to the best of our abilities within the constraints of our budget.

County Assessor: We acknowledge this finding and will continue to try to segregate these duties to the best of our abilities within the constraints of our budget. Further, we now have only one employee working out of the cash drawer.

County Election Board: The duties are segregated as well as possible with the limited personnel in the office.

Court Clerk: The duties are segregated as well as possible with the limited personnel in the office. We have made some changes since this time period and have further segregated some of these duties. We will continue to segregate duties as well as we can.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Objective 3:	To determine the County's financial operations complied with 19 O.S. § 1505C, 19 O.S. § 1505E, 19 O.S. 1505F, which outlines procedures for expending county funds.

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 the 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: Based upon inquiry and observation, we noted that there is no segregation of duties over the cash disbursement process. The purchasing agent is performing the duties of maintaining appropriation ledgers, encumbering purchase orders, verifying purchase orders/claims for accuracy, issuing warrants and cash vouchers, signing cash vouchers, maintaining warrant registers, and distributing warrants and vouchers.

Additionally, our test of 55 purchase orders revealed the following noncompliance with statutes:

- Eleven instances were noted where goods were purchased before the purchase order was properly encumbered.
- Four did not have supporting documentation attached.

Cause of Condition: Procedures have not been implemented to provide adherence to the statutes and ensure internal controls are in place regarding segregation of duties.

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

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

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

Management Response:
County Clerk: We acknowledge this finding and will continue to try to segregate these duties to the best of our abilities within the constraints of our budget. Further, the Seminole County Clerk's Office instructs County Officers, as well as each requisitioning and receiving officer of the importance of following the same purchasing procedures that we are bound by. From this point forward, we will enforce the purchasing guidelines and continue to stamp each purchase that does not meet the guidelines with an "Improper Purchasing Procedure" or "Not Timely Encumbered" stamp to show that we do not approve of the expenditure. Also, from this point forward, the County Clerk's Office will require supporting documentation be attached to all purchase orders.

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 assets constitutes a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

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

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

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

- Gained an understanding of 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.

Finding: Inadequate Segregation of Duties over Payroll Expenditures

Condition: Upon inquiry and observation, we noted that there is no segregation of duties over the payroll disbursement process. The Payroll Clerk enrolls new employees, maintains personnel files, prepares

OPERS reports, and prepares state and federal tax reports. The Payroll Clerk also prepares payroll, reviews payroll verification reports, prints payroll warrants, and distributes payroll warrants.

Cause of Condition: Procedures have not been designed and implemented to ensure that internal controls are in place regarding segregation of duties.

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

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

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Preparing payroll and reviewing payroll reports.
- Distributing payroll warrants to individuals.

Management Response:
County Clerk: Cross-training of deputies has been implemented. We concur with recommendations and will try to improve procedures.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and misappropriation of funds.

Objective 5:	To determine if the County's financial operations complied with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

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

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

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

- Tested compliance with 62 O.S. § 517. 4, which included comparing the largest bank 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 Internal Controls over Pledged Collateral

Condition: Internal controls have not been designed and implemented to monitor deposits daily to ensure bank balances are adequately secured. County funds were not adequately pledged at one financial institution for 1 of the 36 days tested.

Cause of Condition: Controls are not in place to monitor deposits on a daily basis to ensure that bank balances are adequately secured.

Effect of Condition: Failure to monitor pledged collateral amounts resulted in unsecured County funds and possible loss of County funds.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that County funds are adequately secured. Further, OSAI recommends the County Treasurer maintain evidence that pledged collateral is monitored daily.

Management Response:
County Treasurer: I monitor the bank balances daily during the highest deposit period. I have begun to monitor the bank balances and verify that I have adequate collateral to secure county funds.

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.

Title 62 O.S. § 517.4A states, A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

Objective 6:	To determine the County's financial operations complied with 68 O.S. §1370E, which requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

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

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

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

- Tested compliance of the significant law, which included the following:
  - Reviewed sales tax ballots to determine designation and purpose of sales tax collections.
  - 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.

Finding: Inadequate Internal Controls over Sales Tax Apportionment

Condition: Upon inquiry and observation of the recordkeeping process of apportioning sales tax collections, the following was noted:

- There is no independent oversight of the calculation of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented to monitor the calculation of the sales tax distribution.

Effect of Condition: This condition resulted in the lack of documentation that controls were designed and operating effectively over the sales tax distribution process. Further, this condition could result in misappropriation of sales tax revenue.

Recommendation: OSAI recommends an employee recalculate the apportionment of sales tax collections that is presented for appropriation by the County Treasurer to the County Clerk. The documentation should provide evidence of who performed the recalculation and the date of the review.

Management Response: From this point forward, I will have the County Clerk review and sign to document the recalculation.

Criteria: Effective internal controls would include procedures that ensure compliance with 68 O.S. § 1370E.

Objective 7:	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 fixed by the Excise Board of the County, to the tax rolls.
  - Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

Finding: Inadequate Internal Controls over Ad Valorem Tax Distribution

Condition: Upon inquiry of County personnel, observation, and review of documents, we determined that the ad valorem tax distribution process was not adequately monitored. The County Treasurer recalculates the ad valorem tax levy to ensure that the levy is correct; however, no documentation, including signature and date, is retained to determine that controls are operating effectively.

Cause of Condition: Policies and procedures have not been designed regarding documentation of controls for ad valorem tax apportionment.

Effect of Condition: This condition resulted in a lack of documentation that controls were designed and operating effectively over the ad valorem tax apportionment process.

Recommendation: OSAI recommends the County Treasurer maintain documentation that the levies entered into the system with the Certified Levy sheet, were reviewed for accuracy by initialing and dating the levy sheet to document the review was performed.

Management Response: The system is set up to where if the levy is entered incorrectly and doesn't agree with the County Assessor, it cannot be applied. From now on, I will keep signed and dated documentation of when the levy sheet is entered into the system.

Criteria: Effective internal controls include key functions within the process be adequately segregated to allow for the prevention and detection of errors and abuse, and that adequate documentation of verifications be maintained.

Objective 8:	To determine the County Court Clerk's internal controls provide reasonable assurance that Court Fund and Court Clerk Revolving Fund expenditures were accurately reported in the accounting records.

Conclusion: The Court Clerk's internal controls do not provide reasonable assurance that Court Fund and Court Clerk Revolving Fund expenditures were accurately reported in the accounting records.

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

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

Finding: Inadequate Segregation of Duties over Court Fund and Revolving Fund Expenditures

Condition: Upon inquiry and observation, we noted the following concerns regarding the recording, authorization, custody, and execution of expenditure transactions:

Court Fund

- The Court Clerk performs all of the duties of preparing vouchers and claims, maintaining the Court Fund ledger, and reconciling the ledger with the County Treasurer.

Revolving Fund

- The Court Clerk performs all of the duties of preparing the claims, maintaining the Revolving Fund ledger, and reconciling the ledger to the County Treasurer.

Cause of Condition: Policies and procedures have not been designed regarding segregation of duties and/or compensating controls for the Court Fund and Court Clerk Revolving Fund expenditure process.

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

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

Management Response: The duties are segregated as well as possible with the limited personnel in the office. We have made some changes since this time period and have further segregated some of these duties. We will continue to segregate duties as well as we can.

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 purchasing calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and purchasing distribution should be segregated

All Objectives:

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

Finding: Inadequate County-Wide Controls

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

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

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and 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.
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: The County concurs with the recommendation and continually strives for new ways to stay in compliance.

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: The County Treasurer and the County Clerk do not have a written Disaster Recovery Plan

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 formal Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster.

Management Response: The County Clerk and the County Treasurer made copies of the County Assessor's Disaster Recovery Plan and are in the process of tailoring the plan to their offices.

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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