OPERATIONAL AUDIT

SEQUOYAH COUNTY

For the period July 1, 2008 through June 30, 2009

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

SEQUOYAH COUNTY OPERATIONAL AUDIT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

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Oklahoma State Auditor & Inspector

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June 8, 2012

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit report of Sequoyah County for the period July 1, 2008 through June 30, 2009.

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

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

Sincerely,

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

BACKGROUND

Once a part of Arkansas, this County was created at statehood, and named for the Sequoyah District of the Cherokee Nation, Indian Territory. Sequoyah was the Cherokee linguist who developed an alphabet for his people. Sallisaw is the County Seat.

Agriculture is the mainstay of the County's economy, with grain and cattle being major products. Applegate Cove, Cowlington Point, and Short Mountain Cove are among the many campgrounds available in the County. Lake Tenkiller and Robert S. Kerr Reservoir also offer recreational opportunities.

County Seat – Sallisaw | Area – 714.88 Square Miles

County Population – 41,024 (2007 est.)

Farms – 1,352 | Land in Farms – 231,943 Acres

Primary Source: Oklahoma Almanac 2009-2010

County Officials:

Donna Graham .... County Assessor
Vicki Sawney. .... County Clerk
Bruce Tabor. .... County Commissioner District 1
Steve Carter .... County Commissioner District 2
Mike Huff .... County Commissioner District 3
Ron Lockhart .... County Sheriff
Trica Yates .... County Treasurer
Vicki Beaty .... Court Clerk

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, 2009.

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 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 the 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 for each office, the following was noted:

- **County Treasurer's Office:** All of the second deputies accept cash and checks and balance their own till at the end of the day. They then give their till to the First Deputy who compares the daily collections report to the receipts, cash, and checks; however, there is no evidence of this review. Reconciliations are performed, but there is no independent review.
- **County Clerk's Office:** All employees work from the same cash drawer. One employee is responsible for issuing receipts, preparing the deposit, and delivering the deposit to the Treasurer's office.
- **County Assessor's Office:** All employees work from the same cash drawer. One employee is responsible for opening the mail, issuing receipts, preparing the deposit, and delivering the deposit to the Treasurer's office. Receipts are not deposited daily.
- **County Sheriff's Office:** Two employees each can receipt monies, prepare the deposit, and take the deposit to the Treasurer. Receipts are not deposited daily.
- **Court Clerk's Office:** One employee opens mail, issues receipts, prepares the deposit, and delivers the deposit to the Treasurer's office.
- **County Election Board Office:** All employees receipt monies and can prepare deposits. Receipts are not deposited daily.

Cause of Condition: Procedures have not been designed to adequately segregate the duties related to the receipting process.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

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

- **County Treasurer's Office:** The First Deputy should include an indication of her review when balancing the daily cash receipts. Also, someone independent of the reconciliation process should review and approve the monthly reconciliations.

- **County Clerk's Office:** Employees should not all work from the same cash drawer. The same person should not open mail, issue receipts, prepare the deposit, and deliver the deposit to the Treasurer's office.

- **County Assessor's Office:** Employees should not all work from the same cash drawer. The same person should not open the mail, issue receipts, prepare the deposit, and deliver the deposit to the Treasurer's office. Deposits should be made daily.

- **County Sheriff's Office:** The same employee should not open the mail, issue receipts, prepare the deposit, and deliver the deposit to the Treasurer's office. Deposits should be made daily.

- **Court Clerk's Office:** The same employee should not issue receipts, prepare the deposit, and deliver the deposit to the Treasurer's office. Deposits should be made daily.

- **County Election Board Office:** Employees should not all work from the same cash drawer. The same person should not open the mail, issue receipts, prepare the deposit, and deliver the deposit to the Treasurer's office. Deposits should be made daily.

Management Response:

Ron Lockhart, Sequoyah County Sheriff –
There are now two employees who have been delegated the responsibility of handling, receipting, and depositing all monies. Employee A will receipt the money; Employee B will verify and document the verification. Employee B will then deposit the money. At the end of the month Employee A is responsible for the vouchering of money to the County Treasurer.

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

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

Conclusion: The County's internal controls provide reasonable assurance that expenditures generated through the purchase order system and the cash voucher system were accurately reported in the accounting records. However, our review of the internal controls over Court Clerk Revolving Fund expenditures did not provide assurance that the 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 internal controls related to the expenditure process through discussions with County personnel, observation, and review of documents.

- Tested controls which included reviewing a random sample of 25 expenditures for the following:
    - Ensuring claims reflected the authorized signature of the designated requisitioning officer.
    - Ensuring receiving reports were attached to the claims and were signed by the designated receiving officer.
    - Ensuring expenditures were recorded and encumbered by the County Clerk/Purchasing Agent prior to purchase.
    - Ensuring the County Clerk/Purchasing Agent signed the claims verifying adequate documentation was attached to purchase order before payment was submitted for the Board of County Commissioner's approval.
    - Ensuring expense reports of purchase orders were approved by the Board of County Commissioners in an open meeting.

- Tested controls which included reviewing a random sample of 25 Court Fund vouchers for the following:

    - Ensuring Court Fund claims are supported by adequate documentation.
    - Ensuring Court Fund claims were signed by the Court Clerk, and either the District Judge or Associate District Judge.

Finding: Inadequate Approval of Court Clerk Revolving Fund Expenditures

Condition: Upon inquiry and observation, we noted 21 out of 27 Court Clerk Revolving Fund claims reviewed did not have the proper approving signature.

Cause of Condition: Procedures have not been designed to ensure there is adequate documentation and proper approvals to support the expenditures in the Court Clerk Revolving Fund.

Effect of Condition: This condition could result in misappropriation of assets.

Recommendation: OSAI recommends that all Court Clerk Revolving Fund expenditures be approved by appropriate Court personnel.

Management Response: Management did not respond.

Criteria: To help ensure the proper accounting of funds, the Court Clerk's receiving officer should complete receiving reports when goods are received and supporting documentation should contain management approval prior to payment.

Finding: Court Clerk Reconciliations with the Treasurer

Condition: Upon inquiry and observation of the Court Clerk Revolving Fund report and the Court Fund report, we noted the Court Clerk's balances do not reconcile with the County Treasurer.

Cause of Condition: Procedures have not been designed to ensure the Court Clerk Revolving Fund and Court Fund are reconciled with the County Treasurer.

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

Recommendation: OSAI recommends that all funds held by the Court Clerk be reconciled to the County Treasurer.

Management Response: Management did not respond.

Criteria: To help ensure a proper accounting of funds, the Court Clerk Reconciliation reports and the Court Fund reports should reconcile to the County Treasurer's office.

Finding: Reconciliation Between the County Clerk and the County Treasurer

Condition: Upon inquiry and observation, we noted the County Clerk does not reconcile the Appropriation Ledger to the County Treasurer's General Ledger.

Cause of Condition: Procedures have not been designed to ensure the County Clerk's Appropriation Ledger reconciles with the County Treasurer's General Ledger.

Effect of Condition: This condition could adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the Clerk's Appropriation Ledger and the Treasurer's General Ledger.

Management Response: Management did not respond.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the reconciliation of the County Clerk's Appropriation Ledger to the County Treasurer's General Ledger. This reconciliation would include verifying Treasurer's receipts apportioned to County Clerk's appropriations, Treasurer's disbursements to County Clerk's warrants issued, and Treasurer's General Ledger balances to County Clerk's Appropriation Ledger balances.

Objective 3:	To determine if the County's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

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

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

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

Finding: Inadequate Segregation of Duties Over the Payroll Expenditures

Condition: The payroll clerk enrolls new employees, maintains personnel files, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues and prints payroll warrants, prepares OPERS reports and state and federal tax reports, and removes terminated employees from the system.

Cause of Condition: Procedures have not been designed to adequately segregate the duties related to the payroll process.

Effect of Condition: These conditions could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

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

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

- Enrolling new employees and maintaining personnel files.

- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response: Management did not respond.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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

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

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

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

Finding: Inadequate Internal Controls Over Fixed Assets

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

- County identification numbers are not affixed to county fixed assets in the following offices:
  - County Sheriff
  - County Assessor
  - Court Clerk

- Evidence of an annual physical inventory count being performed by the following county officials was not documented:
  - County Clerk
  - County Treasurer
  - County Sheriff
  - County Commissioners for Districts 1, 2, and 3
  - Court Clerk

Cause of Condition: Procedures have not been designed to ensure the County's fixed assets are accounted for properly.

Effect of Condition: Failure to maintain accurate records of fixed asset inventories and failure to perform a periodic physical inventory of fixed assets could result in inaccurate records, unauthorized use of fixed assets, or misappropriation of fixed assets.

Recommendation: OSAI recommends that each county office implement procedures to accurately maintain fixed asset records. Further, an annual verification of fixed asset items should be performed and documented to properly account for fixed assets.

Management Response:

Ron Lockhart, Sequoyah County Sheriff –
All assets are inventoried and placed on a summary report sheet. This summary report is submitted to the County Clerk every six months. We also do an inventory every year from the summary report. We didn't document the inventory and as of now we will document the inventory for our records. At this time we have no fixed ID labels to place on fixed assets. I will obtain labels and place them on fixed assets.

Criteria: 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 acquisition, use, or disposition of fixed assets and safeguard fixed assets from loss, damage, or misappropriation.

Finding: Inadequate Internal Controls Over Consumable Inventories

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

District 1:
- Fuel tanks are measured but amounts are not reconciled to the fuel usage logs employees complete when filling the County vehicle/equipment.
- Fuel is not properly safeguarded against theft or unauthorized use.
- Prior to FY2011, consumable inventory records were not maintained and reconciled to determine the accuracy of inventory records.

District 2:
- Consumable inventory records are not maintained and reconciled to determine the accuracy of inventory records.

District 3:
- Fuel tanks are measured but amounts are not reconciled to the fuel usage logs employees complete when filling the County vehicle/equipment.
- Fuel is not properly safeguarded against theft or unauthorized use.
- Consumable inventory records are not maintained and reconciled to determine the accuracy of inventory records.

Cause of Condition: Procedures have not been designed to ensure the County's consumable inventories are accounted for properly.

Effect of Condition: Failure to maintain accurate records of consumable inventories, to adequately segregate duties over consumable inventory and failure to perform a periodic physical inventory of consumable inventories could result in inaccurate records, unauthorized use of consumable inventories, or misappropriation of consumable inventories.

Recommendation: OSAI recommends that each District implement internal control procedures for the accurate reporting of consumable inventories including adequately segregating the duties. Records should be maintained for all consumable inventory items in an accurate manner that reflects consumable inventory by category and current balances on hand. Further, a periodic physical verification of consumable inventories should be performed and reconciled to inventory records. Also, fuel tanks should be measured and amounts should be reconciled to the fuel usage logs employees complete when filling the County vehicle/equipment.

Management Response:

Ray Watts, Commissioner District 1 –

Fuel Tanks:

Fuel tanks are locked at all times when not in use by a key that is kept in the office at the barn and by a switch that is located inside the barn. Inventory on fuel is kept by the amount of fuel pumped at pumps and logged in a log book kept in office showing date, vehicle (using the county "D" number) amount of fuel and then the person using the vehicle signing in.

Inventory:

Every quarter two people will be checking inventory with a list of items. On each piece of equipment checked they will have to sign and date. If any item on inventory list is not found, then it will be reported to the office so it can be checked for any mistakes as to why the item wasn't removed from the inventory list. If item in question is not to be found then this item will be reported to Commissioner Ray Watts.

Stock Inventory:

Receiving materials are put on a receiving report using the Kellpro System. The receiving report has the vendor, date, what items and number of items purchased, cost, and total. All purchases either has an invoice or packing slip showing proof of purchase. The receiving report designates to where the materials are being used, for example:

Project: What roads the materials were used on, with amount of materials and cost.

Stock: When the receiver put the materials in stock, with amount and cost, we use a transfer document showing were the materials went, when taken from stock, with date, amount of materials and cost.

Steve Carter, Commissioner, District 2 –
In reviewing the deficiencies for fiscal year 2009, it was noted that our fuel records were insufficient. We log our fuel usage on a daily basis and those are cross checked against the meter dial at the pump daily, to support the log. As per the inventory records, I am supposing that this is the same issue as 2008.

Jim Rogers, Commissioner, District 3 –
In January 2010, Sequoyah County District 3 began using Kellpro Inventory Control System. This program has many useful capabilities. For example, can track materials purchased and consumed, can track amount of fuel used for each piece of equipment and vehicle, and maintains a current inventory for fixed assets.

Fuel:

> Sequoyah County D-3 has since January 2010 began locking fuel tanks when not in use. Employees have to obtain key from secretary, they then log in amount of fuel pumped and what vehicle it was put into. The fuel tanks are checked daily and are reconciled with the fuel logs. At the end of the day, the main breaker to the fuel pumps is turned off. There have also been four security cameras placed at different sites on the yard.

Inventory:

> An annual physical inventory will be conducted on all vehicles and equipment maintained at District 3. The inventory will be approved by Commissioner Rogers, maintaining a copy at the barn, and a copy will be filed with the County Clerk.

Criteria: 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 acquisition, use, or disposition of consumable inventories and safeguard consumable inventories from loss, damage, or misappropriation.

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

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

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

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

- Tested compliance of the significant law which included the following:
  - Selected 25 days from all banks and compared those daily balances to the amount of pledged collateral to determine that deposits were adequately secured.

Finding: Inadequate Internal Controls Over Pledged Collateral

Condition: The County Treasurer has not properly designed and implemented internal controls to monitor pledged collateral amounts to daily bank balances to ensure that County funds are adequately secured. As a result, County funds were not adequately pledged for 3 of the 25 days tested.

Cause of Condition: Procedures have not been designed to daily monitor pledged collateral balances to bank balances.

Effect of Condition: This condition could result in the 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 and safeguarded from loss. Bank balances should be monitored on a daily basis to pledged collateral balances.

OSAI recommends the County Treasurer comply with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

Management Response: Management did not respond.

Criteria: Title 62 O.S. § 517.4.A. 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 items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

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

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

- Tested internal controls which included reviewing the sales tax revenue received for the following:
  - Reviewed all twelve monthly reconciliations to ensure the proper amount was received, recorded, and apportioned 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 100% of the amounts apportioned by the County Treasurer to ensure sales tax collections were apportioned to the proper funds.

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 internal controls related to the process of apportioning and distributing ad valorem tax collections through discussions with the County personnel, observation, and review of documents.

- Tested compliance of the significant law, which included the following:

  - Determining the Treasurer used the certified levies as fixed by the Excise Board of Sequoyah County for the audit period.

  - Compared the certified levies for the audit period to the computer system to ensure correct levies were used for applying levies 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 Apportioned and Distributed

Condition: The County Treasurer enters the levies from the Certified Levy Sheet into the computer system at which time they are reviewed by the Deputy Treasurer. However, no documentation was retained to determine that controls were operating effectively.

Cause of Condition: Documentation is not maintained indicating that levies entered into the system with the Certified Levy Sheet were reviewed for accuracy by an independent party.

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

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

Management Response: Management did not respond.

Criteria: Accountability and stewardship are overall goals of management in the 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 allocation and apportioning ad valorem tax should be segregated or reviewed by an independent party.

Other Item(s) Noted:

Although not considered significant to the audit objectives, we feel the following issues should be communicated to management.

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: Management did not respond.

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 Control Environment, Risk Assessment, Information and Communication, 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: Selling of Tinhorns, Tiles, and Signs

Condition: A review of receipts revealed the sale of county tinhorns, tiles, and signs from all three District barns to the public. During fiscal year 2009, receipts for the selling of such items equaled approximately $57,611.62.

Cause of Condition: Procedures have not been designed to ensure compliance with state statutes in regards to the sale of materials, tools, apparatus, machinery or equipment.

Effect of Condition: Sales to the public could result in improprieties of County funds and inventories.

Recommendation: OSAI recommends the County discontinue selling tinhorns or any other road related equipment to the public.

Management Response:

Steve Carter, Commissioner, District 2 –
In reviewing the deficiencies for fiscal year 2009, the disbursement of tin horns is not a sale of that item. It is merely a reimbursement or donation to the County for placing that tinhorn where it is needed to insure adequate drainage.

Auditor Response: Tinhorns or other road related equipment should not be sold by the County to the public.

Criteria: Title 19 O.S. § 421.1.D states:

> A board of county commissioners may sell any materials, tools, apparatus, machinery or equipment to a state agency, if the agency is subject to the Oklahoma Central Purchasing Act, or to a political subdivision of the state if the political subdivision is subject to such act or a similar competitive bidding procedure. The board of county commissioners may purchase materials, tools, apparatus, machinery or equipment from a state agency, if the agency is subject to the Oklahoma Central Purchasing Act or from a political subdivision of the state if the political subdivision is subject to such act or a similar competitive bidding procedure.

Title 19 O.S. § 421.1.E states:

> The board of county commissioners may, by resolution, enter into an agreement with any other county or political subdivision for the purpose of selling, transferring, trading or otherwise disposing of equipment or materials.

Generally, counties can exercise such powers only as are conferred upon it by the Constitution or the statutes.

Finding: Signature Stamps

Condition: Upon inquiry and observation, it was noted that the Treasurer and all three Commissioners have signature stamps and have authorized the use of their stamps by various county employees.

Cause of Condition: Procedures have not been designed to ensure signature stamps are used only by the owner.

Effect of Condition: These conditions could result in misappropriation of funds.

Recommendation: OSAI recommends signature stamps only be used by the official and the officials ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response: Management did not respond.

Criteria: An 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 acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.

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