

TULSA COUNTY, OKLAHOMA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

For the year ended June 30, 2012



*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

**TULSA COUNTY, OKLAHOMA
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2012**

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

March 11, 2013

TO THE CITIZENS OF
TULSA COUNTY, OKLAHOMA

Transmitted herewith is the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* of Tulsa County, Oklahoma for the fiscal year ended June 30, 2012. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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



Oklahoma State Auditor & Inspector

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
TULSA COUNTY, OKLAHOMA

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Tulsa County, Oklahoma as of and for the year ended June 30, 2012, which collectively comprise Tulsa County's basic financial statements and have issued our report thereon dated February 26, 2013. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Tulsa County Industrial Authority, the Tulsa County Criminal Justice Authority, the Tulsa County Home Finance Authority, the Tulsa County Employees' Retirement System, the Tulsa County Public Facilities Authority, and the Tulsa City/County Health as described in our report on Tulsa County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tulsa County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tulsa County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tulsa County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Tulsa County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Tulsa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Tulsa County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also 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.



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

February 26, 2013

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

SECTION 1 - Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

There were no items noted that were required to be reported.

SECTION 2 - This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2012-01 – Inmate Trust Account Receipts and Reconciliations (Repeat Finding)

Condition: We noted the following regarding the Inmate Trust Fund Account:

- Bank reconciliations were not performed prior to May 1, 2012; additionally, there is no evidence of independent verification of the monthly reconciliations.
- Sheriff's office could not provide some of the receipt books, deposit books, and inmate booking reports. Furthermore, some of the receipt books viewed were illegible or improperly utilized.
- Deposit slips and copies of deposit slips for all of fiscal year 2012 were missing.
- Six out of twenty-four deposits tested were not deposited in a timely manner.
- Booking receipts could not be traced to any printed reports from the IT system from July 2011 to December 2011.
- When inmates arrive at the County jail, the arresting officer uses any available receipt book. The receipt books are pre-numbered, but they are not issued in numerical order because multiple receipt books are used. Therefore, not all of the receipts can be accounted for. Receipt number sequences cannot be traced to deposit slips ensuring accuracy of deposits.
- Checks and money orders are not being restrictively endorsed at the time of receipt.
- All funds collected at the front desk of the jail are not kept secure during the shift.

Cause of Condition: Procedures have not been designed regarding receipting, depositing, and reconciliations of collections.

Effect of Condition: Without proper accounting of funds and monthly reconciliations, the Sheriff's office is unable to have a complete and accurate assessment of the monies on hand in the Inmate Trust Account. This may also result in undetected errors and/or misappropriation of Inmate Trust Funds.

Recommendation: OSAI recommends the following:

- Steps should be taken to ensure that records are retained and support daily deposits.
- All money received should be deposited on a daily basis.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

- Monthly reconciliation of the Inmate Trust Account should be performed. This reconciliation should be performed by personnel who are separate from the receipting and depositing functions of the Inmate Trust Account. Reconciliations should be independently verified and signed-off on.
- The Sheriff's office should maintain control of the sequential order of which receipt books are used for inmate monies deposited in the Inmate Trust Fund Account. Due to the different areas receiving monies for the Inmate Trust Fund Account and the difficulty in using one receipt book, we recommend each area/department (Visitation, Booking, and Mail Room) use an independent set of receipt books and only issue receipts in sequential order. OSAI further recommends that one copy of the receipt be placed in the sealed envelope with the monies received. When the envelopes are opened and the deposit is prepared, receipts should be placed in numerical order by area/department to account for all receipts. OSAI also recommends a copy of any voided receipt be placed in the envelope of monies to be deposited. This will ensure all receipt numbers are accounted for and the accuracy of deposited monies.

Management Response:

Christina Morrison, TCSO Fiscal Officer

Since May 2012, the Tulsa County Sheriff's office has restructured staff assigned to the Inmate Trust Account to ensure segregation of duties, as well as, hiring an Accounting Specialist to oversee the activity of the account and to reconcile the account on a monthly basis. Receipting, depositing, and disbursements procedures are closely monitored and documented for reporting requirements.

Criteria: Statutory control requirements have been established for the depositing of funds.

Title 19 O.S. § 531.A. states in part:

The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.

To ensure a proper accounting of funds, receipts should be issued in sequential order, adequate documentation for receipts should be maintained, a reconciliation of accounting records to bank records should be performed, and supervisory review should be in place.

Finding 2012-02 – Inmate Trust Disbursements (Repeat Finding)

Condition: Our test work of the Inmate Trust disbursements, for the dates selected, five out of ten disbursement checks and three out of ten disbursement debit cards were missing supporting documentation (check stub/check status and debit card receipts); therefore, we could not confirm sequential numbering, approvals, accuracy or adequate documentation for these transactions. The remaining dates revealed the following:

- One of five check stubs and seven of seven debit receipts were not found to be in sequential order.
- One of five check stubs and four of seven debit receipts did not have required signatures.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

- Receipts and supporting documentation were missing for the one debit card disbursement identified as a voided transaction.

Cause of Condition: Procedures have not been designed to ensure all disbursements are adequately documented and that documentation is retained for audit purposes.

Effect of Condition: This does not allow for proper accountability of all disbursements and can lead to possible misappropriation of the inmates' funds.

Recommendation: OSAI recommends the Sheriff's office issue checks and debit card transactions in sequential order, reconcile check stubs and debit card receipts to computer generated reports, account for, deface and keep supporting documentation for all voided transactions.

Management Response:

Christina Morrison, TCSO Fiscal Officer

Since May 2012, the Tulsa County Sheriff's office has restructured staff assigned to the Inmate Trust Account to ensure segregation of duties as well as hiring an Accounting Specialist to oversee the activity of the account and to reconcile the account on a monthly basis. Receipting, depositing, and disbursements procedures are closely monitored and documented for reporting requirements.

Criteria: Effective accounting controls over disbursing of monies include the issuance of pre-numbered checks supported by adequate supporting documentation. The payee and amount on the disbursements should agree with the disbursement register. Voided disbursements should be accounted for and defaced.

Finding 2012-03 – Mail Room Receipts (Repeat Finding)

Condition: Based upon inquiry and observation, we found the mail room at the jail is one place where money is received for inmates. There are always two mail clerks on duty in the mailroom, and the Sheriff's office has a policy that only checks and money orders are accepted, and cash is returned to the sender. Despite this, it appears that the clerks are not opening the mail together. Furthermore, if cash were received in error, there is no oversight to ensure that the correct amount is returned to the sender. There are also no surveillance cameras in the mailroom.

Cause of Condition: Procedures for the receipting and depositing processes in the mailroom are inadequate.

Effect of Condition: Lack of management oversight and review of cash received in the mail room could result in unrecorded transactions and misappropriation of inmates' funds.

Recommendation: OSAI recommends two employees collect and open the mail together. A log of checks and cash received by mail should be maintained. One employee should log the checks and cash and another employee should issue receipts. Controls should be established to ensure that cash received in the mail room is accurately documented.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

Management Response:

Monica Song-Remington, TCSO Human Resources

We have established the following procedures and policies for our mail room:

- We have “two employees in the mail room” policy established. Also, we have installed surveillance cameras to monitor the mail room activities.
- We strictly enforce “No Cash” policy and any cash received is returned to sender immediately. All incoming mail is to be opened daily as soon as it is picked up from the post office and sorted.
- Effective March 1, 2013, we will no longer receive money orders at the front lobby. Public visitors with money orders for inmates will be given a preprinted envelope to mail-in their money order.
- The envelopes for the Inmate Account will not be opened in the mail room but forwarded directly to the Inmate Trust Accounting office.
- All money orders and checks received are logged in by mail room employees. Photo copies of money orders/checks are made in the Inmate Trust Accounting office. Sergeant Jack Reusser is responsible for overseeing mail room tasks.
- We have placed management responsibility and oversight for the mail room process and established segregation of duties in order to prevent unrecorded transactions and misappropriation of inmates’ funds.

Criteria: To help ensure a proper accounting of funds, the duties of receiving, receipting, and recording, should be segregated and properly supervised by management. A single person having responsibility for more than one area of recording and custody of assets could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Finding 2012-04 – Inmate Trust Fund – Lack of Segregation of Duties

Condition: There is an inadequate segregation of duties regarding the County Sheriff’s Inmate Trust Account.

- Prior to May 1, 2012, one individual administered and performed all Inmate Account duties including processing funds, preparing deposits, and managing the bank account(s).

Cause of Condition: Policies and procedures have not been designed regarding segregation of duties and/or compensating controls for the Inmate Trust Account.

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 this condition and determine how to properly segregate duties. OSAI further 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 the accounting functions.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

Management Response:

Christina Morrison, TCSO Fiscal Officer

Since May 2012, the Tulsa County Sheriff's office has restructured staff assigned to the Inmate Trust Account to ensure segregation of duties as well as hiring an Accounting Specialist to oversee the activity of the account and to reconcile the account on a monthly basis. Receipting, depositing, and disbursements procedures are closely monitored and documented for reporting requirements.

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 receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV