

TULSA COUNTY, OKLAHOMA REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

For the year ended June 30, 2014



*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
INDEPENDENT AUDITOR'S 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, 2014

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Oklahoma State Auditor & Inspector

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March 23, 2015

TO THE CITIZENS OF
TULSA COUNTY, OKLAHOMA

Transmitted herewith is the Independent Auditor's 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, 2014. 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, appearing to read "Gary A. Jones".

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



Oklahoma State Auditor & Inspector

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Independent Auditor's 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, in accordance with the 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, the financial statements of the governmental activities, business-type activities, the 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, 2014, and the related notes to the financial statements, which collectively comprises Tulsa County's basic financial statements, and have issued our report thereon dated February 25, 2015. Our report includes a reference to other auditors who 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, the Tulsa County Juvenile Justice Trust Authority, and the Tulsa City/County Health Board, 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 of the financial statements, we considered Tulsa County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tulsa County's internal control. Accordingly, we do not express an opinion on the effectiveness of Tulsa County's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tulsa County's financial statements are free from 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 regarding statutory compliance 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 Findings

Tulsa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Tulsa County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 25, 2015

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-15 – Inmate Trust

Condition: Based on inquiry of the Sheriff's staff and observation of records, we noted the following:

- Inmate trust receipts are not clearly marked for Inmate Trust only.
- Bank reconciliations are not being performed adequately and were not reviewed or approved by someone other than the preparer.
- Inmate Trust checks are issued for unauthorized expenditures.
- The Sheriff does not have a Sheriff Commissary Fund; therefore, the office is unable to prepare and file an annual report with the Board of County Commissioners by January 15th of each year.
- Records are not maintained for unclaimed funds.

Cause of Condition: Procedures have not been designed to ensure adequate controls are in place to safeguard assets and to be in compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in misappropriation of assets, unrecorded transactions, errors that could go undetected or unauthorized collections and disbursements.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and implement procedures to ensure:

- Inmate Trust receipts be clearly marked.
- Bank reconciliations are prepared accurately and reviewed and approved by someone other than the preparer.
- Inmate Trust expenditures are made only to reimburse an inmate upon being released from jail or to the Sheriff's Commissary.
- The Sheriff open a Commissary account with the Treasurer and make deposits and expenditures from this account as required by state statute.
- The Sheriff shall prepare and file an annual commissary report with the County Commissioners by January 15th of each year.
- The Sheriff shall maintain records documenting unclaimed funds.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Management Responses:

County Sheriff: Effective immediately, all receipts will be marked “Inmate Trust Account” on all 4 copies, either by hand stamping or adding the words to the printed receipts.

Bank reconciliations are performed on a monthly basis by a financial supervisor outside the chain of command of the Inmate Trust Accounting Unit. A monthly reconciliation report is created and printed by the preparer, and then approved and signed by the Inmate Trust Account Unit’s chain of command (Sergeant and Captain or Major). The reports are then kept on file by the preparer for audit review. This function was performed for all of FY 14. A sample of the report is attached to show that we are complying with this requirement. (July 2013)

Our understanding from the State Auditor’s finding is that we will need to set up a Commissary Account with the Tulsa County Treasurer’s Office to pay all commissary related vendor payments. As soon as we are able to create this account through the Treasurer’s Office, we will deposit all proceeds from commissary into this account and process all vendor payments relating to commissary out of this account. Additionally, at the end of each fiscal year, we will submit an annual report of activity from this commissary account to the BOCC by January 15.

The accounting program utilized by the Inmate Trust Account Unit maintains several sections that account for unclaimed funds. This information is available upon request.

Auditor Response: In regards to bank reconciliations, bank balances are not reconciled back to ledger balances. It appears that information from the bank statement, such as the beginning bank balance, deposit and disbursements are input into reconciliation report and totaled. This total is agreed to the ending bank balance; therefore, the bank statement information is reconciled to itself.

When OSAI asked for outstanding check balances and unclaimed funds, we were directed to obtain this information from the financial institution in which the Inmate Trust Account is maintained. The Sheriff’s department should be maintaining a listing of outstanding warrants and unclaimed funds based on what disbursements have been made from the Inmate Trust Account and have not been redeemed.

Criteria: To help ensure a proper accounting of funds inmate trust receipts should be clearly marked, bank reconciliations should be prepared accurately and should show a reconciliation between the bank balance and the balance on the inmate trust ledgers, bank reconciliations should be reviewed and approved by someone other than the preparer, expenditures from the inmate trust account should only be made for authorized expenditures and an annual commissary report should be prepared and presented to the Board of County Commissioners.

19 O.S. § 531.A states in part... The Sheriff...may write checks to the Sheriff’s Commissary Account... and to the inmate from unencumbered balances due the inmate upon his or her discharge

19 O.S. § 180.43 states in part...the Sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding 2014-16 – Segregation of Duties in District Court Divisions and Court Fund (Repeat Finding)

Condition: It was noted that asset custody, transaction authority, bookkeeping, and reconciliations were not properly segregated to ensure adequate internal control structure in each District Court Division and within the Court Fund.

Within the Criminal, Probate, Family/License, Juvenile and Small Claims Divisions of the Court Clerk's office, one employee within each division, often the supervisor, posts payments, writes receipts, verifies receipt of payments, balances the cash drawer, prepares the deposit and the deposit ticket with no indication of a review by a second person. Additionally, the Supervisors can delete multiple docket entries, delete entries created on previous dates, disburse funds by case, and delete cases within the OCIS System.

Within the Court Fund one employee, opens the mail, posts checks received via mail to the system, prepares the deposit, makes the deposit, and reconciles the daily activity report to the Treasurer's report the following day.

Cause of Condition: Procedures have not been designed to properly segregate payment collection and deposit functions.

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

Recommendation: OSAI recommends the following key accounting functions within the divisions of the Court Clerk's office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits.
- Management override of OCIS system.

In addition, OSAI recommends establishing a system of controls to adequately protect the collections of the Court Clerk's office, which include but are not limited to the following:

- Review processes to ensure accuracy.
- A daily log of mailed receipts should be compiled.

Management Response:

Court Clerk: As to segregation of duties and approval, sign off by someone other than the person who prepared the documents will be done in the future.

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

**TULSA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding 2014-17 – Inadequate Internal Controls Over District Court Fund (Repeat Finding)

Condition: Per review of the June 30th District Court reconciliation for fiscal year 2014, we noted:

- The Court Clerk’s beginning balance presented on the June 30, 2014 Monthly Report ties to the June 30, 2014 Treasurer’s beginning balance, but it does not tie to the supporting reports and Court Clerk records from which this balance should be derived. A variance of \$1,798.27 exists.
- The Court Clerk’s ending balance, per the Court Clerk’s supporting reports and records, is \$1,894.03 more than the ending balance on the Treasurer’s general ledger.
- Reconciliations showed no evidence of being reviewed and approved by someone other than the preparer.

Cause of Condition: Procedures have not been designed to ensure reconciliations performed by the Court Clerk are true and correct, reviewed for accuracy by someone other than the preparer, and have an indication of review.

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

Recommendation: OSAI recommends that the Court Clerk reconcile the Court Clerk District Court Fund records to the Treasurer’s general ledger balance monthly and these reconciliations be reviewed for accuracy and approved by someone other than the preparer.

Management Response:

Court Clerk: The Court Clerk’s beginning balance was reconciled with the County Treasurer but not with our Case Balance Summary Report. Although we have a variance due to the conversion of paper to computer, circa 1984-1988, we will balance with the case balance summary report in the future.

Criteria: Effective internal controls require management to design and properly implement procedures to ensure reconciliations performed be prepared accurately, all variances be identified and reviewed and approved by someone other than the preparer.



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