

OPERATIONAL AUDIT

WASHINGTON COUNTY

For the period July 1, 2010 through June 30, 2011



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

WASHINGTON COUNTY
OPERATIONAL AUDIT
FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2011

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Oklahoma State Auditor & Inspector

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January 27, 2014

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

Transmitted herewith is the audit report of Washington County for the period July 1, 2010 through June 30, 2011.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

BACKGROUND

Originally a part of the Cherokee Nation, Indian Territory, Washington County was created at statehood, and named for President George Washington.

Bartlesville, the county seat, was the first oil-boom in Indian Territory. George B. Keeler, local fur trader, knew of the existence of oil in this area as early as 1875, but lacked the financial support and tribal permission necessary to exploit his discovery. It was not until April 15, 1897, that the No. 1 Nellie Johnstone, the first commercial oil well in Oklahoma, was brought in by the Cudahy Oil Company. W.W. “Bill” Keeler, grandson of George, eventually became head of Phillips Petroleum Company and chief of the Cherokee Nation.

Headquarters of the Phillips Petroleum Company, Bartlesville is also the site of the Frank Phillips Home, the restored twenty-six room mansion of the founder of Phillips Petroleum.

Dewey, the first town in Oklahoma to have electric lights, waterworks, and a telephone line, is the sight of the Tom Mix Museum. Mix, one-time deputy sheriff and night marshal in Dewey, was an early-day silent film star.

The Bartlesville Historical Commission published two volumes of *History of Washington County* by Margaret Teague. For more information, call the County Clerk’s office at 918-337-2840.

County Seat – Bartlesville Area – 424.15 Square Miles

County Population – 50,706
(2009 est.)

Farms – 853 Land in Farms – 226,568 Acres

Primary Source: Oklahoma Almanac 2011-2012

COUNTY OFFICIALS

Todd Mathes County Assessor
Marjorie ParrishCounty Clerk
Gary Deckard County Commissioner District 1
Linda Herndon County Commissioner District 2
Mike Dunlap County Commissioner District 3
Rick Silver County Sheriff
Brad Johnson..... County Treasurer
James Weaver Court Clerk

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

	Beginning Cash Balance July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balance June 30, 2011
County General Fund	\$ 1,009,237	\$ 4,073,028	1,000,000	1,001,941	\$ 3,983,502	\$ 1,096,822
Highway Cash	919,556	3,528,495	-	140,648	2,666,391	1,641,012
EOC H.M.E.P.	46,683	74,808	-	-	47,368	74,123
B-4 Sheriff Fees	367,034	493,355	913	-	389,898	471,404
Health	708,342	787,254	-	-	748,132	747,464
Correctional Facilities Sales Tax	873,495	2,851,422	-	-	1,775,269	1,949,648
County General Sales Tax	1,710,490	2,856,310	1,140,648	1,000,000	3,046,954	1,660,494
Resale	379,896	281,352	-	-	152,544	508,704
Remaining Aggregate Funds	569,000	309,790	2,962	1,938	284,055	595,759
Combined Total - All County Funds	\$ 6,583,733	\$ 15,255,814	\$ 2,144,523	\$ 2,144,527	\$ 13,094,113	\$ 8,745,430

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, 2010 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 appear to be accurately presented on the County Treasurer's monthly reports. However, internal controls over financial reporting should be strengthened.

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 all 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 County Treasurer's monthly reports.

Finding: Inadequate Internal Controls Over the County Treasurer's Monthly Reports and Lack of Segregation of Duties in the Treasurer's Office

Condition: Upon inquiry of the reconciliation process of apportioned receipts, disbursements, and cash balances between the County Treasurer and County Clerk, we noted the following:

- Bank reconciliations contain no evidence of being reviewed and approved by someone other than the preparer.
- Documentation was not prepared or retained to support the reconciliation of warrants issued per the County Clerk to warrants paid per the County Treasurer, daily collections to receipts, and collections to apportionments.
- The reconciliation between the County Clerk's appropriation ledger and the County Treasurer's general ledger contains no evidence of being reviewed and approved by someone other than the preparer.

Duties are not adequately segregated in the County Treasurer's office:

- One person is responsible for preparing daily reports, posting to the general ledger, posting to the official depository ledger, reconciling collections to apportionment, generating apportionments, registering warrants, paying warrants, and issuing official depository vouchers.

Cause of Condition: Procedures have not been designed and implemented to ensure receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports; documentation of reconciliations and reviews have been retained, and key functions and processes are adequately segregated among various employees in the office.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. In addition, documentation supporting reconciliations and reviews should be retained.

Duties should be adequately segregated so that individuals posting to the general ledger and registering warrants should not be preparing daily reports, reconciling collections to apportionments and paying warrants. Further, in the event that segregation of duties is not possible due to the 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 which would provide independent oversight of the accuracy of the County Treasurer's monthly reports.

Management Response:

County Treasurer: The Washington County Treasurer's office has and will continue to provide the necessary controls to ensure that receipts, apportionments, disbursements, and other essential functions are reconciled, segregated, and reviewed in a timely and accurate manner. Also, bank reconciliations are prepared and submitted to the Treasurer for approval, as has always been the case. Since it was brought to our attention that evidence of review needs to be noted, each reviewer has been initialing said documents.

County Clerk: The County Treasurer balances the general ledger balances with the County Clerk's unexpended account balance using outstanding warrants and collections not apportioned as reconciling items and the County Clerk then balances with the Treasurer's worksheet report showing the variances, money received and not yet appropriated. Additionally, The County Clerk and the Treasurer prepare and retain documentation that supports the reconciliation of warrants issued to the warrants paid on an annual basis. Since it was brought to our attention that evidence of review needs to be noted, each reviewer has been initialing said documents.

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

Objective 2: To determine the County's financial operations complied with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments.

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

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

- Gained an understanding of the internal controls related to pledged collateral through discussions with the Treasurer, observation, and review of ledgers and documents.
- Tested compliance under 62 O.S. § 517.4, which included selecting two days per month from banks holding deposits of county funds to determine that bank balances were adequately collateralized.

Finding: Inadequate Internal Controls Over Pledged Collateral

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

Cause of Condition: Internal controls have not been designed to monitor deposits daily to ensure bank balances are adequately collateralized and retain documentation of the daily review.

Effect of Condition: Failure to monitor pledged collateral amounts could result in unsecured county funds and/or possible loss of county funds. Evidence was not available to determine controls were operating effectively.

Recommendation: OSAI recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that county funds are adequately secured. Additionally, evidence of monitoring pledged collateral amounts to bank balances on a daily basis should be maintained.

Management Response:

County Treasurer: The Treasurer's office has not been, nor will it be in the future, under collateralized as it relates to pledged securities for those funds held on deposit or invested. Adequate controls are and have been in place to ensure proper collateralization in my opinion.

Auditor Response: Although the County was not under collateralized and may have controls in place to ensure proper collateralization, the County Treasurer could not provide OSAI with evidence to determine controls were operating effectively.

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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.

Objective 3: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

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

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

- Gained an understanding of the internal control process of receipting, apportioning, and disbursing sales tax collections through discussions with County personnel, observation, and review of documents.
- Tested internal controls for each month of the fiscal year, which included:
 - Verified that an employee recalculated the apportionment of sales tax collections, as well as, ensuring the correct apportionment percentages went to the proper funds.
- Tested compliance of the significant law, which included the following:
 - Reviewed sales tax ballots to determine designation and purpose of sales tax collections.
 - Obtained confirmations from the Oklahoma Tax Commission for sales tax payments made to the County and recalculated the amounts apportioned by the County Treasurer to ensure sales tax collections were apportioned to the proper funds.
 - Selected a random sample of 55 purchase orders from the Sales Tax Revolving Fund and determined that expenditures were made for purposes designated on the sales tax ballot.

Objective 4: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong. However, internal controls over ad valorem tax apportionments and distributions should be strengthened.

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 Certified Levy Input

Condition: The County did not retain documentation that certified levies were reviewed for accuracy when entered into the tax roll by the County Assessor.

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

Effect of Condition: Since documentation was not retained, we were unable to determine that controls were operating effectively regarding the application of ad valorem levies. Without proper controls, this condition could result in undetected errors, funds not being distributed correctly, and/or loss of revenues.

Recommendation: OSAI recommends that the County Assessor implement a system of internal controls to provide reasonable assurance that the tax levies are entered into the Assessor's Tax Roll accurately and retain evidence of these controls.

Management's Response:

County Assessor: Certified levies will be double checked by multiple individuals within both the County Clerk's and County Assessor's offices. Documentation will be prepared and retained to provide proof of accuracy following an independent review when they are entered into the database. Furthermore, documentation will be prepared and retained to support any reconciliation between the Assessor's office and Treasurer's office's tax rolls.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, documentation supporting reconciliations and reviews should be retained.

Finding: Inadequate Internal Controls Over Ad Valorem Tax Apportionments and Distributions

Condition: Through inquiry, observation, and review of documents, we determined that the ad valorem distribution process was not adequately monitored and segregated.

- Documentation was not prepared or retained to support the reconciliation and review of daily collections to receipts and collections to apportionments.
- Tax payments received from mortgage companies, which require refunds, are not receipted in prior to being deposited into the Treasurer’s official depository account.

Cause of Condition: Procedures have not been designed and implemented to retain documentation of independent reviews and reconciliation processes to ensure all collections are receipted upon being received.

Effect of Condition: Since documentation was not retained, we were unable to determine that controls were operating effectively regarding the review and reconciliations of ad valorem collections. Additionally, these conditions could result in misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the County Treasurer implement internal control procedures to ensure documentation of reconciliations and independent reviews are retained. Additionally, OSAI recommends receipts are issued for all collections received.

Management Response:

County Treasurer: All tax payments from mortgage companies are now receipted through the trust portion of the system and; therefore, all collections will be reconciled to receipts and apportionments.

Criteria: Accountability and stewardship are overall goals in evaluating management’s accounting of funds. Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, documentation supporting reconciliations and reviews should be retained and receipts should be issued for all collections.

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

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. § 1505C and 19 O.S. § 1505E, which prescribes the procedures established for the requisition, purchase, lease-purchase, rental and receipt of supplies, material, equipment for maintenance, operation, and capital expenditures of county government. With respect to the items tested, the County complied with 19 O.S. § 1505F, which outlines the process for approval of expenditures.

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 the receiving reports as required by 19 O.S. § 1505E.
 - The County Clerk or designee compared the purchase orders to the invoices, receiving reports, 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: Noncompliance Over Purchasing Procedures

Condition: During our test of fifty-five purchase orders, we noted the following noncompliance with regard to purchasing statutes:

- Two purchase orders did not have supporting documentation.
- Nineteen receiving reports were not completed and authorized by receiving officer and/or services and recurring bills were not verified.
- One purchase order was encumbered after the ordering or receiving of goods and services.
- One purchase order lacked a signature certifying the encumbrance had been entered against the designated account.

Cause of Condition: Procedures have not been implemented to provide adherence to the statutes and ensure internal controls are in place to mitigate the risks over safeguarding the County's assets with regard to purchasing procedures.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, inaccurate records, and misappropriation of funds.

Recommendation: OSAI recommends the County implement procedures to ensure compliance with purchasing statutes. Further, OSAI recommends the County consider the risks concerning the expenditure process and implement a system of internal controls to eliminate or reduce those risks. Additionally, OSAI recommends documentation supporting reconciliations and evidence of reviews be retained.

Management Response:

County Clerk: The two purchase orders referenced are P.O. # 2366 for the purpose of paying Election Polling Places and P.O. # 5789 for Postage Meter. In the future, we will obtain a listing of Polling Places

costs from the Election Board and obtain a receipt from the County Treasurer when the postage is added to the meter.

- The County Clerk’s office will request that all utility bills indicate a review to verify the County received the services.
- The County Clerk’s office will request receiving reports accompany all lease payments to ensure item(s) belong to the County and payment is warranted.
- The County Clerk’s office will continue to make every effort to ensure these discrepancies are noted on the front of the purchase order.
- The County Clerk’s office will have a different deputy check for signatures other than the preparer.

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.

Objective 6: To determine the County’s financial operations complied with 19 O.S. § 1505B, which requires county purchases in excess of \$10,000 be competitively bid.

Conclusion: With respect to the items tested, the County complied with 19 O.S. § 1505B, which requires that purchases in excess of \$10,000 be competitively bid.

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

- Gained an understanding of the internal controls related to the process of competitively bidding purchases in excess of \$10,000, which included discussions with County personnel, observation, and review of documents.
- Tested internal controls, which included the following:
 - Determining that all purchases for \$10,000 or more are initiated in a Board of County Commissioners’ open meeting with a majority approval to go out for bids.
 - Through interviews, determining that the purchasing agent is aware of statutory bid limits and reviews all requisitions to determine if the purchase should be bid.
 - Determining that a majority of the Board of County Commissioners approved the bid in an open meeting and recorded reasons for not accepting the lowest bid.
- Selected a random sample of five purchases in excess of \$10,000 and determined that the County followed statutes regarding public notice, handling of unopened bids, awarding bid to best bidder, recording appropriate information in BOCC minutes, and notification to successful bidders.

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

Conclusion: With respect to amount allowed for officers' salaries, the County complied with 19 O.S. § 180.62 and § 180.63, which establish limitations on the amount of county officers' salaries. However, internal controls over the payroll expenditure process should be strengthened.

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.
- Tested compliance of the significant law, which included:
 - Reviewing the salaries of Washington County officials to ensure that the amounts paid did not exceed statutory limits.

Finding: Inadequate Internal Controls and Lack of Segregation of Duties Over Payroll

Condition: Through discussions with County personnel, observation, and review of documents, we noted the following weaknesses regarding the payroll process:

- Payroll claims were not signed by the elected officials.
- Duties regarding the payroll process were not adequately segregated. One employee was responsible for enrolling new employees into the system, activating withholding tables with the software, updating the master payroll file with changes, and reviewing updates for accuracy.
- Lack of monitoring and reviews over payroll processes.

Cause of Condition: In an effort to maximize efficiency and available resources, the County has relied upon one individual to perform the majority of the payroll process. In addition, procedures have not been designed and implemented to ensure the accuracy of payroll.

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 the key accounting functions of the payroll process be adequately segregated as follows:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Approving payroll warrants.

Management Response:

County Clerk: Each elected official now signs their respective payroll claims. One employee was responsible for enrolling new employees into the system, activating withholding tables with the software, updating the master payroll file with changes, and reviewing updates for accuracy. New employee information will be checked by another person for accuracy.

There are currently three different employees assigned to payroll processing. The processing, authorizing, and distributing of payroll is segregated.

County Assessor: All payroll claims will be signed by the County Assessor or First Deputy, who has been designated as my appointee in my absence.

District 3 County Commissioner: In the future, payroll claims will be signed by elected officials on a new spreadsheet provided by the County Clerk's office. Item #2 has been addressed by the County Clerk's office. The new spreadsheet and the additional signatures will provide monitoring that is required.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations, and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distributing payroll should be segregated.

Objective 8: To determine the County's financial operations complied with 19 O.S. § 1504A, which requires the receiving officer to maintain a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by his department.

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

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

- Gained an understanding of the internal controls related to the process of maintaining a record of all supplies, materials, and equipment received, disbursed, stored, and consumed by a department, which included discussions with County personnel, observation, and review of documents.
- Tested compliance with 19 O.S. § 1504A, by comparing each district's fuel logs to a physical measurement of fuel for accuracy.

Finding: Inadequate Internal Controls Over Consumable Inventories and Noncompliance with State Statute

Condition: Upon inquiry of District personnel and observation, we determined the County did not have procedures in place to ensure that consumable inventories were maintained in accordance with 19 O.S. § 1504A. As a result, we noted the following:

- Districts 1, 2, and 3 did not maintain accurate, up-to-date lists of consumable inventories.
- The County Sheriff did not maintain inventory lists of commissary items.

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

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

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These procedures would include filing monthly consumable reports with the County Clerk and performing a periodic physical count of inventory. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

District 2 County Commissioner: I was not in office at the time but we have fixed the problem.

District 3 County Commissioner: District 3 now has a tracking mechanism for consumables. Three different individuals are trained in the process.

County Sheriff: The Washington County Sheriff's Department has already implemented a system for controls of consumable inventories.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls constitute a process affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of consumable inventory items, and safeguarding consumable items from loss, damage, or misappropriation.

Objective 9: To determine the County's financial operations complied with 19 O.S. § 178.1 and 69 O.S. § 645, which requires the maintenance of inventory records, periodic inventory verifications, and that equipment be clearly and visibly marked "Property of" the County.

Conclusion: With respect to the items tested, the County did not comply with 19 O.S. § 178.1 and 69 O.S. § 645, which requires the maintenance of inventory records, periodic inventory verifications, and that equipment be clearly and visibly marked "Property of Washington County."

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

- Gained an understanding of the internal controls related to the process of maintaining inventory records, verifying inventory, and marking equipment "Property of" the County, which included discussions with County personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Randomly selected ten items from each commissioner's inventory records and six items from the County Treasurer and County Assessor's inventory records and verified the items were properly marked with the County identification number and "Property of Washington County" as required by 69 O.S. § 645.

Finding: Inadequate Internal Controls Over Fixed Assets Inventory Records and Noncompliance with State Statutes

Condition: The County does not have procedures in place to ensure the fixed assets inventory was maintained in accordance with 19 O.S. § 178.1. Furthermore, the County has not designed internal controls to provide for adequate segregation of duties over the fixed assets inventory process.

- District 3 has inadequate segregation of duties over fixed assets inventory. There is one employee in the District that is primarily responsible for requisitioning, receiving, attaching county identification numbers, and maintaining inventory records.
- Within the courthouse offices and the County Sheriff's office, there is also inadequate segregation of duties. One employee is primarily responsible for requisitioning, receiving, attaching county identification numbers, and maintaining inventory records.
- Evidence of periodic inventory inspections is not maintained at District 1, District 3, Sheriff's office, Treasurer's office, Court Clerk's office, County Clerk's office, E-911, or at the County Assessor's office.

Additionally, with respect to the items tested, the County did not comply with 69 O.S. § 645. When visually verifying the items from the inventory records filed with the County Clerk, the following was noted:

- District 2 – Two of the ten items tested did not have an inventory asset number.

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- District 3 – Two of the ten items tested were not labeled with “Property of Washington County.”
- County Treasurer – Three of the six items tested did not have an inventory asset number.
- County Assessor – One of the five items tested could not be located.
- County Sheriff– No inventory asset numbers could be located on fixed assets.

Cause of Condition: Procedures have not been implemented regarding the accurate reporting of fixed assets. In addition, procedures have not been designed to adequately segregate key functions regarding fixed assets records.

Effect of Condition: These conditions resulted in noncompliance with 19 O.S. § 178.1 and 69 O.S. § 645.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by maintaining inventory records and properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. Additionally, OSAI recommends the County comply with 69 O.S. § 645 by designing procedures to ensure that all equipment is properly marked with county identification numbers and “Property of Washington County.”

Management Response:

District 2 County Commissioner: I was not in office at the time. We are taking measures to correct the finding.

District 3 County Commissioner: This situation has been corrected, and will become part of quarterly inspections.

County Treasurer: All inventory items are now clearly marked and periodic reviews will be conducted.

County Clerk: The County Clerk will ensure every effort is being made to implement a periodic inventory inspection.

County Assessor: All items owned or maintained by the Assessor’s office have been properly inventoried and reported as mandated by 19 O.S. § 178.1. Periodic inventory audits will be conducted in the future to ensure that all items listed on our inventory records can easily be located.

Court Clerk: I was not in office at this time. We now have in place, two requisitioning officers and two receiving officers. We are in the process of updating our inventory and will maintain periodic inventory inspections in the future.

County Sheriff: The Washington County Sheriff’s Department will immediately begin to put into effect an internal policy in regard to the accounting of the Sheriff’s department’s physical inventory on items over \$500.00. The Sheriff’s department will update this list monthly if any items are bought and received that would meet the inventory requirements. Annually, we will perform a complete physical inspection of the items on the lists and it will be conducted by not only the person who places the items on the inventory list but also another employee of the department to ensure the items are in fact still in our

possession and accounted for. Both people will then sign off on the document showing the inventory was done and note inaccuracies, if any. Also, note I was not Sheriff during this audit period.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate segregation of duties. Internal controls over safeguarding of 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 acquisition, use or disposition of fixed assets, and safeguarding fixed assets from loss, damage, or misappropriation.

Objective 10: To determine the County's financial operations complied with 19 O.S. § 682, which requires officers to deposit daily in the official depository all collections received under the color of office.

Conclusion: With respect to the days tested and items reconciled, the County Sheriff did not comply with 19 O.S. § 682, which requires offices to deposit daily in the official depository all collections received under the color of office.

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

- Gained an understanding of the internal controls related to the process of officers depositing daily in the official depository all collections received under the color of office, which included discussions with County personnel, observation, and review of documents.
- Tested compliance with 19 O.S. § 682, by performing cash compositions for one week on the official depository accounts for the County Treasurer, Court Clerk, County Clerk, County Assessor, and Sheriff and verifying the following:
 - Official depository receipts are deposited daily.
 - Deposits are promptly and accurately recorded as to account, amount, and period.
 - Official depository receipts agree to the amounts recorded on the deposit.

Finding: Inadequate Internal Controls and Lack of Segregation of Duties Over Official Depository Accounts and Noncompliance with State Statute

Condition: When documenting the receipting process for official depository collections in each office, we noted the following:

- **County Treasurer:**
 - Duties over the collections process are not adequately segregated. One employee is responsible for preparing the daily reports, posting to the general ledger, posting to the official depository ledger, and issuing official depository vouchers.
 - Receipts are not issued for all funds deposited in the Treasurer's official depository account.

- Documentation is not prepared or retained to support the review of daily collections to receipts.
- **Court Clerk:**
 - Duties over the collections process are not adequately segregated. One employee is responsible for balancing the cash drawer, preparing deposits, and taking deposits to the Treasurer with little or no oversight or review.
 - Documentation is not prepared or retained to support the reconciliation and review of daily collections to receipts and the canceling of payments.
 - Documentation is not prepared or retained to support the review of monthly reconciliations to the Treasurer.
 - All employees who issue receipts work from the same cash drawer.
- **County Clerk:**
 - Duties over the collections process are not adequately segregated. One employee is responsible for balancing the cash drawer, reconciling collections to the various collection reports, preparing the deposit ticket, and taking the deposit to the County Treasurer with little or no review.
 - One person is responsible for performing the monthly reconciliation to the County Treasurer and preparing the official depository vouchers.
 - Documentation is not prepared or retained to support the review of daily collections to receipts and monthly reconciliations to the Treasurer.
- **County Assessor:**
 - Duties over the collections process are not adequately segregated. One employee is responsible for reconciling collections to receipts, preparing the deposit, and taking the deposit to the Treasurer's office.
 - Daily and monthly reconciliations are not reviewed or approved by someone other than the preparer.
- **County Sheriff:**
 - Collections are only reconciled to receipts and deposited weekly.
 - Documentation is not prepared or retained to support the reconciliation and review of daily collections to receipts.
 - Documentation is not prepared or retained to support the review of monthly reconciliations to the Treasurer.
 - Duties over the collections process are not adequately segregated. One employee is responsible for opening mail, receipting collections, reconciling collections to receipts, preparing the deposit, taking the deposit to the Treasurer's office, reconciling collections to the Treasurer, and writing official depository vouchers with little or no review and approval.
 - One employee is responsible for reconciling cash bonds to collections, stamping cash bonds, preparing the deposit, taking the deposit to the Treasurer's office, reconciling collections to the Treasurer, and writing official depository vouchers with little or no review and approval.

- The Sheriff does not have procedures in place to ensure control over the accessibility and use of the Sheriff's signature stamps.

Cause of Condition: Management has not implemented procedures to safeguard assets and to segregate key functions and processes among various employees in the office or to have levels of review over the processes performed.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends establishing a system of controls to adequately protect the collections of each office, which includes but are not limited to the following:

- The person preparing the deposit does not also issue receipts.
- Each office should establish separate cash drawers for all employees receiving cash.
- Deposits should be made daily and be reconciled to the receipts issued for the day.
- Each office should establish a review process for balancing and preparing the deposit slip.
- An employee independent from those who issue receipts, balance the cash drawers and prepare the deposit slip should deposit collections with the County Treasurer.
- OSAI additionally recommends the County Sheriff make daily deposits of all collections received under the color of office as prescribed by 19 O.S. § 682.
- Signature stamps should be adequately safeguarded from unauthorized use.

Management Response:

County Treasurer: Trust receipts are now issued for funds being deposited in the official depository account. Additionally, all collection reports are verified and initialed by two employees.

Court Clerk: I was not in office at this time. We now have four people who rotate on a weekly basis on preparing the deposits, while one other person verifies the deposit and takes it to the Treasurer. We do daily deposits and reconcile every day before it is taken to the Treasurer. We keep all original receipts and all documentation of canceled payments. I will be sure to find out what else needs to be done to rectify this situation. It is mandatory that we do an end of the month report. This report must balance with the Treasurer's official depository general ledger. It is due by the 10th of each month. We strive to have it ready on time, as we have dozens of entities we have to distribute monies to each month. When we balance, we reconcile monthly to the County Treasurer's report and then present the report to the Board of Commissioners for their approval. We keep copies of all the documentations on file in our office. All our collections are placed in one cash drawer at this time. We have plans to re-model our front counter in the next year or so, to allow us to have multiple cash drawers. At this time, each deputy is assigned a number to enter in an adding machine by the cash drawer. She verifies her cash with another deputy; enters her number and the amount of cash in the adding machine and subtracts the amount the customer is paying. This is all verified by one other deputy in the office.

County Clerk: We have implemented a procedure requiring one employee balance the cash drawer, another reconciling and preparing the deposit ticket, and a third verifying and delivering to Treasurer. A second employee will be charged with checking the reconciliation and voucher. The land side does print

documentation and reconcile the daily collections, but do not sign off. They only sign the deposit that is taken to the Treasurer's office. We will have them initial that it is being checked and another employee, other than the land side, does reconcile the monthly County Clerk official depository to the Treasurer's balance. We do keep the original reports which are approved by the Board of County Commissioners at their Monday meetings. We will have the reviewer sign and date the document.

County Sheriff: Currently the Washington County Sheriff's Department has one person that is responsible for doing the deposits, monthly reports, and writing an official depository voucher. Effective immediately we will have a second person checking and signing off on deposits, monthly reports, and official depository vouchers and delivering them to the Treasurer's office.

County Assessor: All deposits and reconciliation sheets will be reviewed and initialed by two or more employees to ensure that someone other than the preparer is handling the depository account records.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriations of funds, and funds be deposited daily in compliance with 19 O.S. § 682.

Objective 11: To determine the County Court Clerk's financial operations complied with 19 O.S. § 220 and 20 O.S. § 1304, which outlines procedures for expending court clerk revolving fund monies and court fund monies, respectively.

Conclusion: With respect to items tested, the County Court Clerk's financial operations did not comply with 19 O.S. § 220 and 20 O.S. § 1304, which outlines procedures for expending Court Clerk Revolving Fund monies and Court Fund monies, respectively.

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

- Gained an understanding of the internal controls related to expending Court Clerk Revolving Fund monies and Court Fund monies, which included discussions with County personnel, observation, and review of documents.
- Tested compliance with 19 O.S. § 220 for the Court Clerk Revolving Fund, which included the following:
 - Randomly selected twenty-five Court Clerk Revolving Fund claims and verified the following:
 - Expenditures were for the lawful operation of the Court Clerk's office.
 - Expenditure claims are approved by the Court Clerk and either the District Judge or the Associate Judge of the County.
 - Claims were supported by adequate documentation.
- Tested compliance with 20 O.S. § 1304 for the Court Fund, which included the following:
 - Randomly selected forty-one Court Fund claims and verified the following:

- Expenditures were made for the lawful operation of the office.
- Claims were approved by the District Judge and either the local Court Clerk or local Associate District Judge.
- Expenditures from restricted categories had prior written consent or approval of the Chief Justice and were approved by the District Judge and one other Board member.
- Claims were supported by adequate documentation.

Finding: Inadequate Internal Controls and Segregation of Duties Over Court Clerk Revolving Fund and Court Fund Expenditures and Noncompliance with State Statutes

Condition: Internal controls have not been adequately implemented to ensure that Court Clerk Revolving Fund monies and Court Fund monies are expended in accordance with state statutes.

There is a lack of segregation of duties in the Court Clerk's office. One person may requisition expenditures, prepare Court Clerk Revolving Fund and Court Fund claims, approve claims, prepare Court Fund vouchers, prepare receiving documentation, and prepare quarterly and annual reports.

Additionally, we noted the following:

- Of the twenty five Court Clerk Revolving Fund expenditures tested, the following was noted:
 - Fourteen claims did not have the approval signature of the Court Clerk.
 - Twenty-three claims did not have receiving documentation.
 - Two claims did not have invoices.
- Of the twenty-five Court Fund expenditures tested, the following was noted:
 - Claim #110091 could not be located.
 - Four claims did not have two signatures from the governing board.
 - Twenty-four claims did not have receiving documentation.
 - Seventeen claims did not have invoices.
 - Claims were not always prepared by the Court Clerk's office.

Cause of Condition: Procedures have not been designed or implemented to ensure adequate segregation of key accounting functions and compliance with state statutes regarding the expenditures of the Court Clerk Revolving Fund and Court Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. A single person have responsibility over more than one area of recording, authorizing, custody of assets, and execution of transactions could result in unrecorded transactions, incorrect financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the Court Clerk implement procedures to ensure the expending of funds from the Court Clerk Revolving Fund and Court Fund are made in accordance with state statutes.

OSAI also 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 funds of the office, and having management review and approval of accounting functions.

Management Response:

Court Clerk: I was not in office at this time. I know in this particular fiscal year we did have one person who was responsible for preparing a majority of the reports and preparing claims and vouchers. We now have two requisitioning officers and two receiving officers. We are working very hard to rectify the situation. I check all claims to verify the appropriate signatures, invoices, and receiving documentation are attached. We prepare our own claims and have them verified by one of our receiving officers.

We are aware how important it is to have all the appropriate signatures on our documentation and to attach receiving documentation and invoices to our Court Clerk Revolving Fund claims. We have worked hard to rectify the situation. We are in compliance with AOC regulations.

Criteria: Effective internal controls include management design procedures to ensure Court Clerk Revolving Fund monies and Court Fund monies are spent in accordance with 19 O.S. § 220 and 20 O.S. § 1304.

Objective 12:	To determine the County Sheriff's Inmate Trust Fund financial operations complied with 19 O.S. § 531A, which requires these funds only be expended to refund monies to inmates or to transfer funds to the Sheriff's Commissary Fund for inmate expenditures.
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Conclusion: With respect to the County Sheriff's Inmate Trust Fund, the Sheriff did not comply with 19 O.S. § 531A, which requires these funds only be expended to refund monies to inmates or to transfer funds to the Sheriff's Commissary Fund for inmate expenditures.

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

- Gained an understanding of the internal controls related to expending funds from the Sheriff's Inmate Trust Fund, which included discussions with County personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Selected a random sample of fifty-five Inmate Trust disbursements to determine that monies were properly expended.

Finding: Inadequate Internal Controls and Segregation of Duties Over the Inmate Trust Fund and Noncompliance with State Statute

Condition: Internal controls have not been designed to ensure an accurate accounting of the Sheriff's Inmate Trust Fund. During an examination of the Inmate Trust Fund, we noted the following:

- The bank reconciliations were not approved by someone other than the preparer.
- The County Sheriff did not prepare or retain documentation to support the reconciliation receipts to collections.
- Inmate Trust checks did not have two signatures as required on the face of the check.
- Inmate Trust checks can be issued and signed by every employee within the Sheriff's office.
- The Sheriff's signature was stamped on multiple blank checks.
- Blank checks are maintained on an unsecured bookshelf in the booking area, which is accessible to everyone.
- There is a lack of controls over the accessibility and use of the Sheriff's signature stamps.
- Three of the fifty-five Inmate Trust checks selected were written for unauthorized expenditures to the Oklahoma Tax Commission, Commissary, and Washington County Court Clerk.
- Lack of segregation of duties – One person can issue receipts, deposit collections in the lock box, reconcile receipts to collections, prepare the deposit, take the deposit to the bank, sign checks, and perform bank reconciliations.

Cause of Condition: Procedures have not been designed to ensure accurate reporting of the Inmate Trust Fund and ensure adequate controls are in place to safeguard assets. Also, procedures to control the use of the signature stamps have not been designed or implemented due to officials being unaware of the risk involved with someone other than themselves having access to their signature stamps.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, unauthorized collections and disbursements, undetected errors, or misappropriation of funds. In addition, unauthorized use of the signature stamps could result in improper authorizations and checks being fraudulently issued.

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.

OSAI further recommends the Sheriff implement procedures to ensure:

- Bank reconciliations are reviewed and approved by someone other than the preparer.
- Receipts are reconciled to collections and documentation of reconciliation is retained, reviewed, and approved by someone other than the preparer.
- All Inmate Trust checks have two signatures and are only signed upon issuance by authorized personnel.

- Expenditures from the Inmate Trust fund are only made for purposes outlined in the state statutes.
- Check signing access is restricted.
- Blank checks are retained in a secure location.
- Signature stamps be retained in a secure location and used only by the official.
- All expenditures are for authorized and legal transactions.
- The duties of receipting, depositing, posting amounts to accounts, maintaining records, issuing checks, and performing bank reconciliations should be segregated.

Management Response:

County Sheriff: In regard to the Inmate Trust Fund, some of the following have already been implemented and the others are in the process. All voided checks are being retained. Corporals and Sergeants are the only ones who can issue or sign checks. Each item will be checked and signed off on by two officers. Deposits are made daily except on holidays and weekends. Collections are always compared back to deposits. Reconciliations will be checked and signed off on by two officers; the Assistant Jail Administrator and Jail Administrator. Stamps with the Sheriff's name on them have been returned. All checks are located in a locked drawer. An annual report will be prepared by January 15th of each year for the Board of County Commissioners.

Criteria: Effective internal controls require that management properly implement procedures to ensure compliance with 19 O.S. § 531A, with regard to the Inmate Trust Fund.

Further, accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of financial records, the duties of receipting, depositing, posting amounts to accounts, maintaining records, issuing checks, and performing bank reconciliations should be segregated.

All Objectives:

The following finding is not specific to any objective, but is 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.

Management Response:

Chairman of the Board of County Commissioners:

- 1) Risk management is regularly discussed in County Budget Board Meetings; however there is no documentation to support this. To solve this, I will ask that it be placed on the agenda. It will also be a part of the minutes of the meeting so that there is a permanent record. All officers are provided monthly sales tax reports that include comparison data for the past five years.
- 2) As Chairman of the Board, I will stress to the other officers the importance of monitoring transactions in their respective offices. It is not that I do not believe that it is not being done now, but that we cannot be too careful in tracking expenditures.
- 3) I will encourage other officers to read reports from the County Treasurer's office, there again, I believe that is being done now, but I will encourage a strong commitment to assist us in our responsibilities to the taxpayers of Washington County.

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.

Other Item(s) Noted:

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

Finding: Disaster Recovery Plan and Information Systems Security

Condition: Upon inquiry of County officials, and observation, it was determined that the following offices do not have a written Disaster Recovery Plans or adequate controls in place to ensure the integrity of the IT systems.

The following concerns were noted:

- The Disaster Recovery Plan for the County Clerk is not currently updated.
- The County Treasurer, County Assessor, Court Clerk, County IT Department, County Sheriff, and the Board of County Commissioners do not have written Disaster Recovery Plans.
- There is inadequate security over the computers and systems in the County Clerk, Court Clerk, County Sheriff and County Assessor’s offices, as noted below:
 - In the County Clerk and County Assessor’s offices, the computer system does not log users off for inactivity. In addition, users do not always log off when they leave their computers unattended.
 - Passwords in the Court Clerk’s office are shared with other employees.
 - Passwords in the Sheriff’s office can be changed or deleted by the undersheriff.
 - Back-ups are not tested regularly in the County Assessor’s office.
 - Back-ups for the County Sheriff are maintained on site.

Cause of Condition: Procedures have not been designed to develop and implement a Disaster Recovery Plan. Additionally policies and procedures to ensure security of information systems and operations of county offices have not been developed and implemented.

Effect of Condition: Failure to have a formal Disaster Recovery Plan, job descriptions, and operating manuals could result in the County being unable to function in the event of a disaster or unforeseen officer absence. By not ensuring the security and accuracy of data maintained in the information systems, the risks for exposing computers to unauthorized access, misuse of county assets, and loss of data increases.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan, which is stored offsite to ensure the safekeeping and integrity of the County’s data. Management should also establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees. OSAI further recommends computers are set to require a password to sign into after a period of inactivity and passwords should not be shared with other employees.

Management Response:

County Treasurer: Upon being notified of the need for and importance of a Disaster Recovery Plan, the County Treasurer's office has prepared a written Disaster Recovery Plan.

County Assessor: We will implement the previously unwritten Disaster Recovery Plan involving the Washington County Information Technology Department and will work with the IT Department to ensure that all risks involving the Assessor's office database(s) and software are remedied and that our written Disaster Recovery Plan follows the standards of the Information Systems Audit and Control Association.

Additionally, I will work with our IT department to set time limitations so that computers will automatically log off during any extended break.

Court Clerk: I am working on a written Disaster Recovery Plan for the Court Clerk's office. I will be sure to let all the Court Clerk deputies know they are not to share their passwords to ensure security.

Chairman of the Board of County Commissioners: Internet Technology and Emergency Management are going to develop a written Disaster Recovery Plan which will be maintained off-site. The location will be dispatch at the correctional facility; this is a bomb/tornado shelter, which is easily accessible. Additionally, the commissioners have instructed IT to back up sensitive data.

The courthouse and annex building will be on a backup generator in the next two years. The county fairground building could be used in the event the courthouse and annex were demolished.

County Sheriff: In an effort to provide guidance for staff in the event of a natural disaster or fire, the County Sheriff has updated his Disaster Recovery Plan.

County Clerk: The County Clerk's office will be collaborating with the County's IT and Emergency Management Directors to prepare a written Disaster Recovery Plan for the County Clerk's office. Additionally, we will be contacting our system's vendor to set time limitations so that computers will automatically log off during any extended break.

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 requiring prevention in a County being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4) information services function, management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.

- Alternative work locations once IT resources are available.

Also, according to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.



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