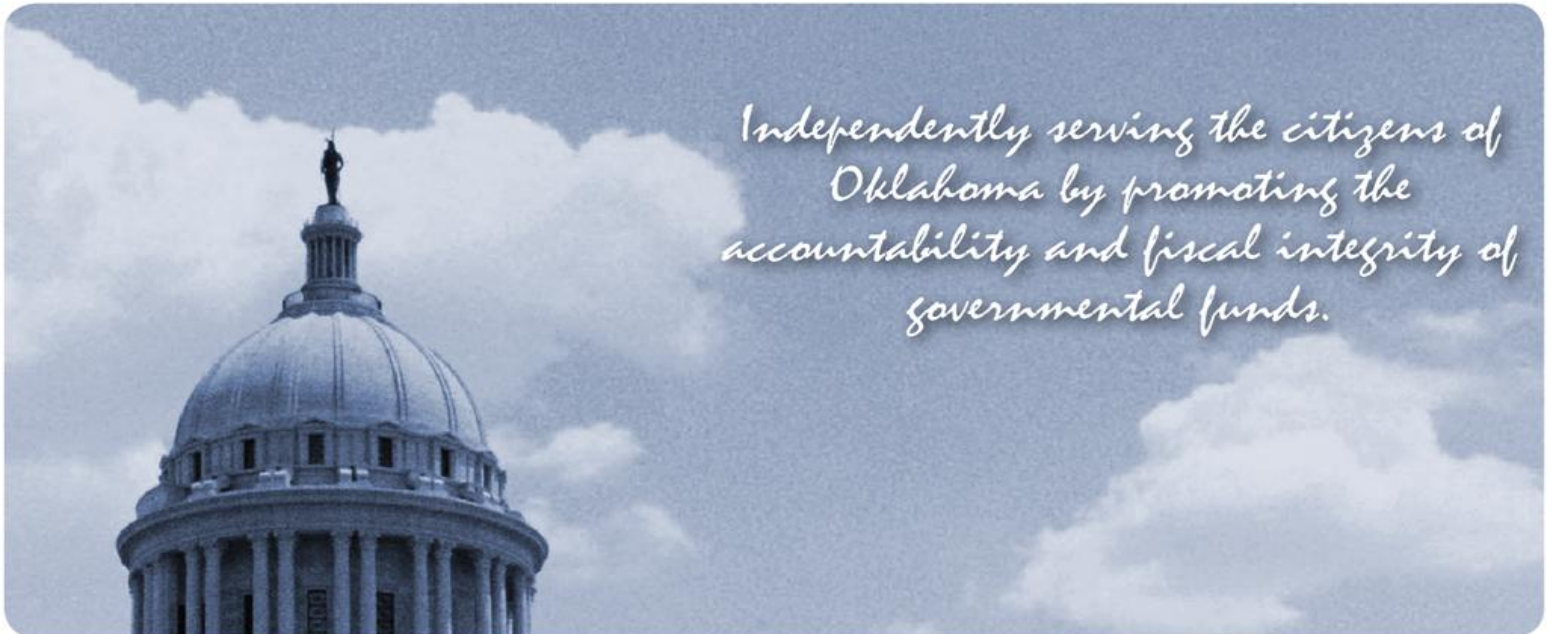


COUNTY AUDIT

MURRAY COUNTY

For the fiscal year ended June 30, 2013



*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

**MURRAY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

June 29, 2015

TO THE CITIZENS OF
MURRAY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Murray County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**MURRAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	13
Notes to Other Supplementary Information	14

**MURRAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

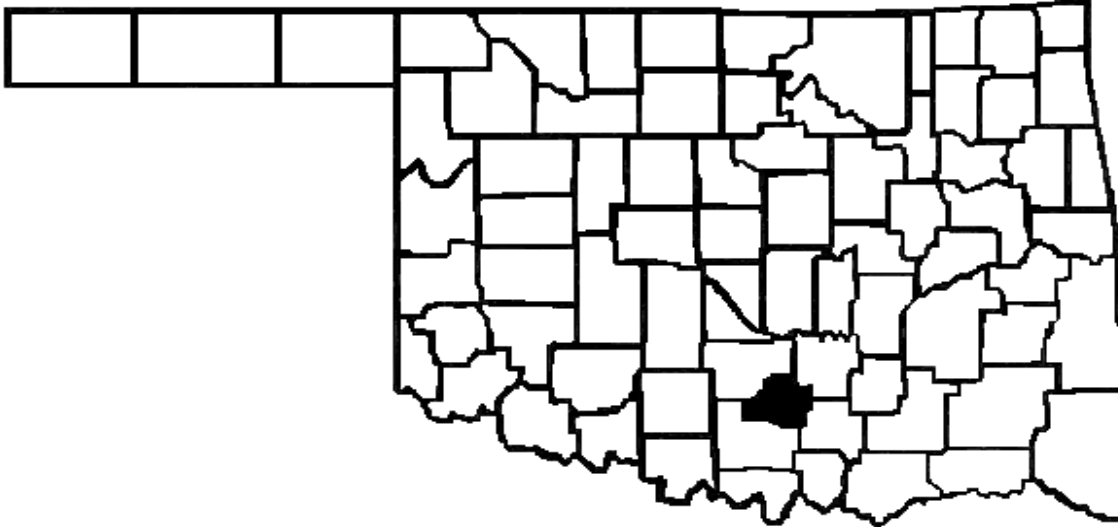
INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 17

Schedule of Findings and Responses..... 19

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**MURRAY COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



Created at statehood from part of the Chickasaw Nation, Murray County was named for William H. Murray, who eventually became the ninth governor of Oklahoma.

Sulphur, the county seat, was originally called Sulphur Springs for the bromide and sulphur waters that attracted thousands of people to the area early in the 20th century. The Arbuckle Mountains, Turner Falls, and the Chickasaw National Recreation Area, including the 2,400-acre Lake of the Arbuckles, have made Murray County a leading tourist attraction.

Initial Point, which determines the legal description of all land in Oklahoma except for the Panhandle, is located in Murray County some six miles west of Davis. Intersecting this point, the Indian Base Line runs east and west, and the Indian Meridian runs north and south. A sandstone marker indicating the spot is located in a pasture on privately owned land. For more information, call the county clerk's office at 580/622-3920.

County Seat – Sulphur

Area – 424.92 Square Miles

County Population – 13,663
(2012 est.)

Farms – 530

Land in Farms – 197,022 Acres

Primary Source: Oklahoma Almanac 2013-2014

**MURRAY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – Billy Frank Lance
District 2 – Jimmy Rackley
District 3 – Darrell Hudson

County Assessor

Scott Kirby

County Clerk

David Thompson

County Sheriff

Darrel Richardson

County Treasurer

Judy Wells

Court Clerk

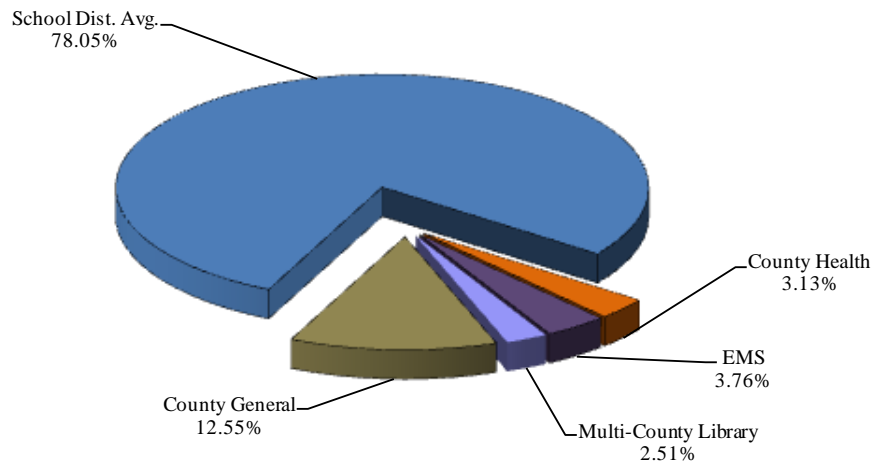
Christie Pittman

District Attorney

Craig Ladd

**MURRAY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

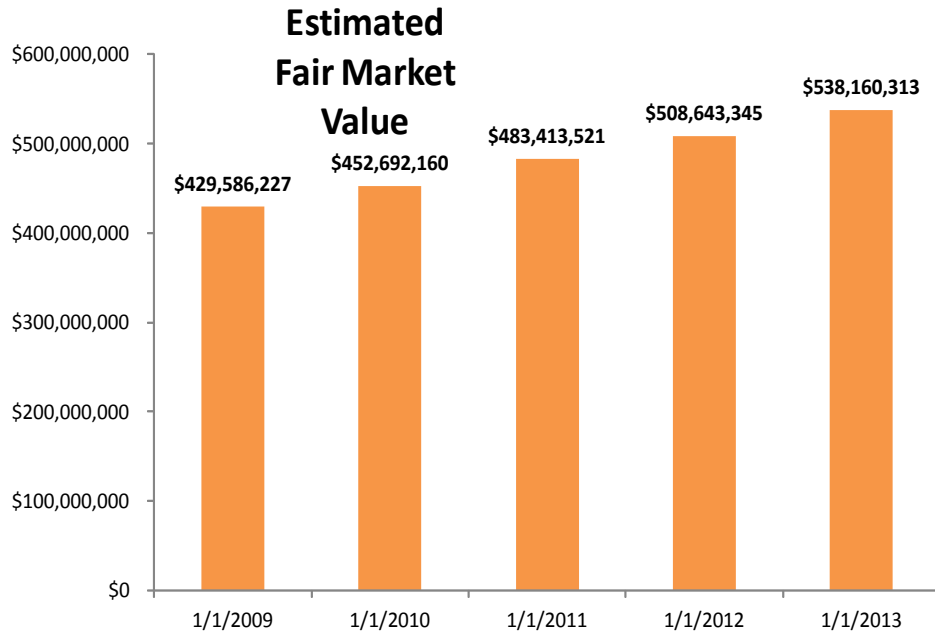
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.37								
County Health	2.59	Sulphur	I-A	36.12	5.16	9.78	14.93	4.14	70.13
Multi-County Library	2.07	Davis	I-10A	36.10	5.16	9.51	14.93	4.14	69.84
EMS	3.11	Roff	JT I-37	36.10	5.59	6.40	13.06	4.14	65.29
		Wynnewood	JT I-38	36.75	5.25	2.73	11.47	4.14	60.34
		Elmore City	JT I-72	41.00	5.80	7.66	11.47	4.14	70.07
		Mill Creek	JT I-2	41.19	5.88	-	-	4.14	51.21

**MURRAY COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

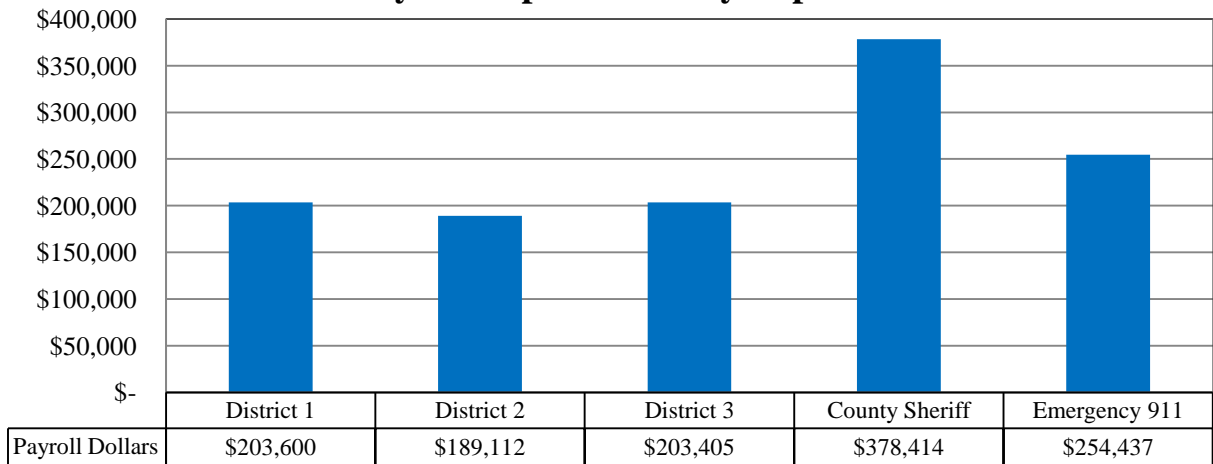
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$17,309,853	\$12,783,683	\$44,291,648	\$3,735,795	\$70,649,389	\$538,160,313
1/1/2012	\$14,539,745	\$13,317,333	\$43,274,076	\$3,770,405	\$67,360,749	\$508,643,345
1/1/2011	\$15,046,715	\$12,471,411	\$40,168,820	\$3,755,450	\$63,931,496	\$483,413,521
1/1/2010	\$13,523,318	\$10,886,721	\$38,816,559	\$3,734,133	\$59,492,465	\$452,692,160
1/1/2009	\$12,960,262	\$10,799,375	\$36,569,977	\$3,651,336	\$56,678,278	\$429,586,227



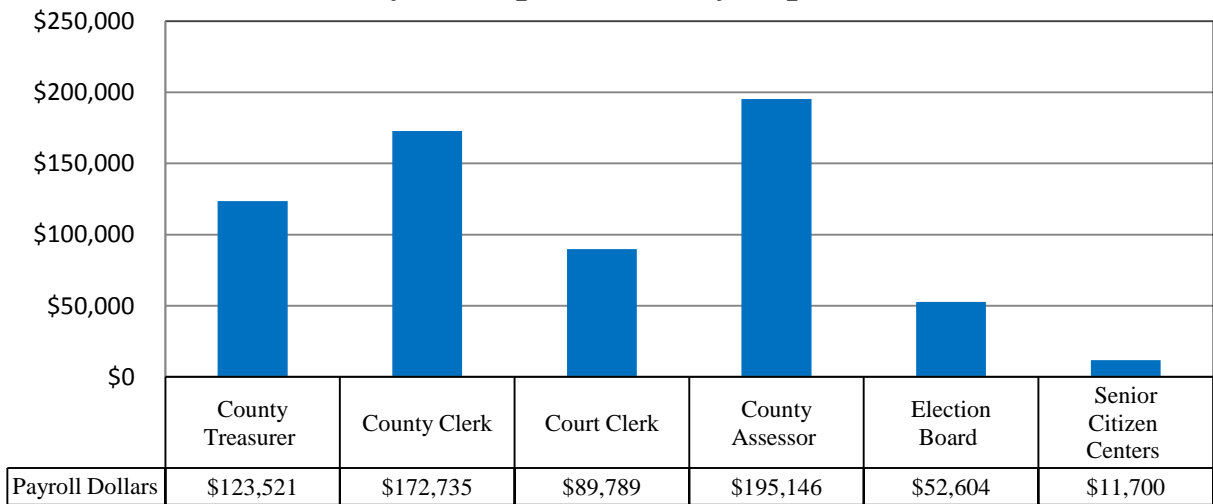
**MURRAY COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



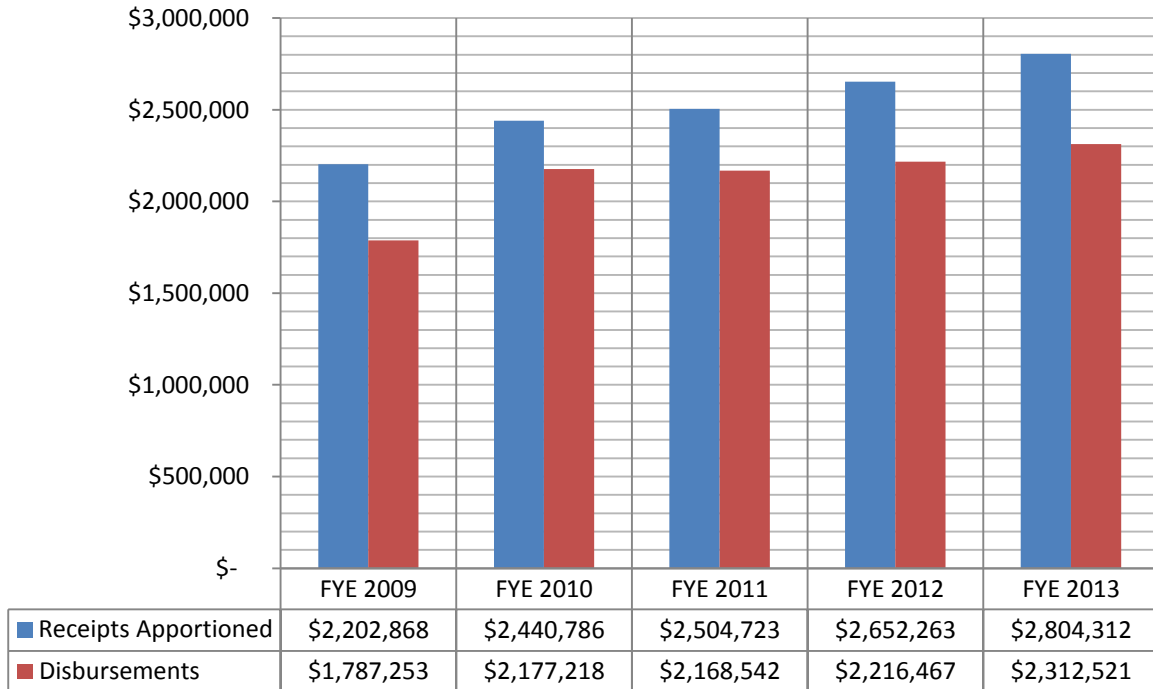
Payroll Expenditures by Department



**MURRAY COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

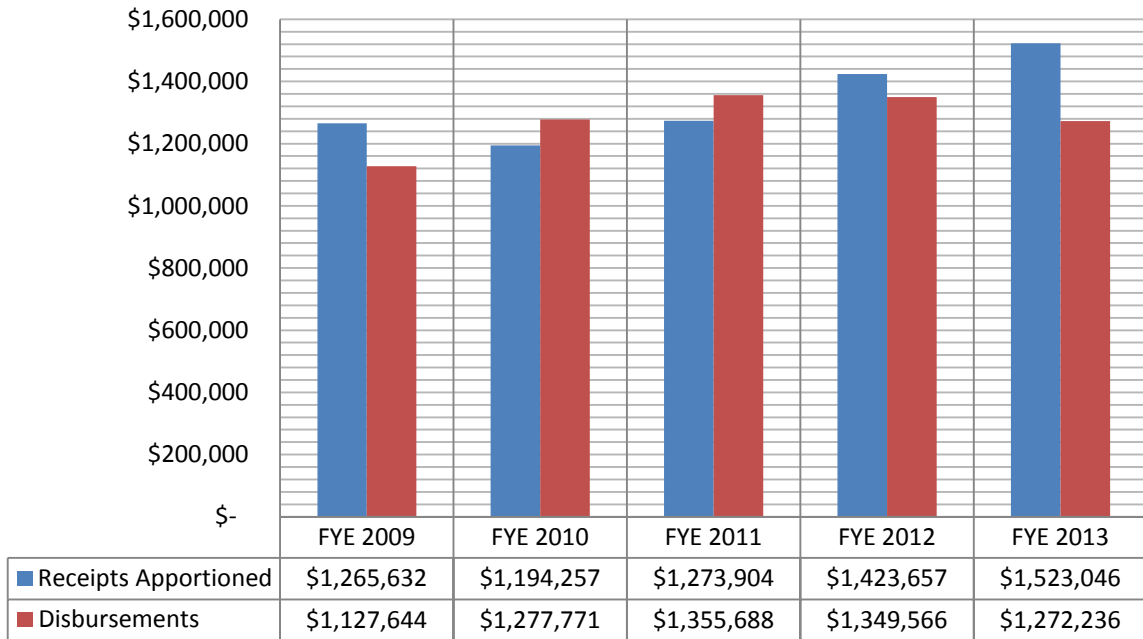
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**MURRAY COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
MURRAY COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Murray County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Murray County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Murray County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Murray County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of Murray County’s internal control over financial reporting and on our tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Murray County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

June 29, 2015

REGULATORY BASIS FINANCIAL STATEMENT

MURRAY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 3,925,432	\$ 2,804,312	\$ 2,312,521	\$ 4,417,223
T-Highway	717,744	1,523,046	1,272,236	968,554
County Health	179,168	171,139	186,912	163,395
Arbuckle Memorial Hospital Sales Tax	129,882	1,623,505	1,625,406	127,981
Sheriff Emergency 911	20,540	369,646	357,486	32,700
Remaining Aggregate Funds	1,946,260	510,643	315,591	2,141,312
Combined Total - All County Funds, As Restated	<u>\$ 6,919,026</u>	<u>\$ 7,002,291</u>	<u>\$ 6,070,152</u>	<u>\$ 7,851,165</u>

The notes to the financial statement are an integral part of this statement.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Murray County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – accounts for revenues from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

T-Highway – accounts for revenues from state imposed fuel taxes and disbursements are for the maintenance and construction of County roads and bridges.

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes, state and local revenues. Disbursements are for the operation of the county health department.

Arbuckle Memorial Hospital Sales Tax – accounts for monies collected from County sales tax revenue and disbursed for the operation of Arbuckle Memorial Hospital.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sheriff Emergency 911 – accounts for revenues from the collection of fees charged on telephone bills for the County’s Emergency 911 services. Disbursements are for the operations of emergency 911 services.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

The voters of Murray County approved a one percent (1%) sales tax for maintaining General Government, County Commissioners, Economic Development, Sulphur Chamber of Commerce, Davis Chamber of Commerce, all Murray County Senior Citizens Organizations, Rural Fire Departments, Rural Emergency Management (Formerly Civil Defense), OSU Extension Office, Murray County Fair Board, Home Extension Organizations, 4-H Organizations, County Clerk, Court Clerk, County Assessor, County Treasurer, County Sheriff, County Sheriff's Reserve Deputies, Courthouse Restoration, Collection and Disbursement Account, EMS (Ambulance Service), and 911. This tax was voted on November 8, 2011 and to be used for the specific purposes in the above accounts. The sales tax became effective January 1, 2012 and has a term of 10 years. These funds are accounted for in various accounts within the County General Fund.

The voters of Murray County approved a one-percent (1%) sales tax on March 7, 2006. The sales tax became effective January 1, 2007 and has no expiration date. The sales tax is to be earmarked and used exclusively for the operation, planning, financing, construction, improvements to and maintenance of Arbuckle Memorial Hospital. These funds are accounted for in the Arbuckle Memorial Hospital Sales Tax fund.

**MURRAY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

E. Reclassification

Due to the reclassification of funds for fiscal year ending June 30, 2013, the beginning balance as reported is different than the June 30, 2012 ending balance. The difference is due to a fund being reported as a County fund in fiscal year 2012 that should have been classified as a trust and agency fund.

Prior year ending balance, as reported	\$6,927,847
Court Clerk Trust Voucher reclassified as Trust and Agency Fund	<u>(8,821)</u>
Prior year ending balance, as restated	<u>\$6,919,026</u>

OTHER SUPPLEMENTARY INFORMATION

MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,925,432	\$ 3,925,432	\$ -
Less: Prior Year Outstanding Warrants	(113,253)	(113,253)	-
Less: Prior Year Encumbrances	(2,297)	(2,297)	-
Beginning Cash Balances, Budgetary Basis	<u>3,809,882</u>	<u>3,809,882</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	635,028	675,661	40,633
Charges for Services	61,789	68,112	6,323
Sales Tax	400,000	1,623,505	1,223,505
Intergovernmental Revenues	252,394	391,458	139,064
Miscellaneous Revenues	11,089	45,576	34,487
Total Receipts, Budgetary Basis	<u>1,360,300</u>	<u>2,804,312</u>	<u>1,444,012</u>
Expenditures:			
District Attorney	10,000	8,460	1,540
County Sheriff	405,560	405,024	536
County Treasurer	123,621	123,605	16
County Commissioners	74,079	74,079	-
County Commissioners OSU Extension	46,281	45,099	1,182
County Clerk	169,279	169,131	148
Court Clerk	83,253	83,253	-
County Assessor	74,350	74,169	181
Revaluation of Real Property	138,041	123,727	14,314
General Government	78,665	56,957	21,708
Excise-Equalization Board	2,600	2,055	545
County Election Board	85,449	62,263	23,186
Insurance	488,686	488,270	416
Charity	36,565	5,496	31,069
4-H Sales Tax	9,295	3,957	5,338
Sheriff Sales Tax	1,216	-	1,216
Treasurer Sales Tax	138,089	18,310	119,779
Civil Defense Sales Tax	27,534	4,419	23,115
Sulphur Chamber of Commerce Sales Tax	4,661	2,191	2,470
Davis Chamber of Commerce Sales Tax	3,920	3,874	46
Sheriff Deputy Reserves Sales Tax	43,170	-	43,170
Enhanced 911 Sales Tax	21,000	12,658	8,342
Agriculture Sales Tax	7,745	6,070	1,675

Continued on next page

**MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
County Clerk Sales Tax	139,732	12,567	127,165
Assessor Sales Tax	160,488	31,353	129,135
Extension Homemakers Sales Tax	20,521	9,461	11,060
Economic Development Sales Tax	31,244	31,244	-
Court Clerk Sales Tax	157,993	38,919	119,074
EMS Sales Tax	21,000	14,084	6,916
General Government Sales Tax	330,662	62,347	268,315
Fair Board Sales Tax	86,419	38,986	47,433
Courthouse Renovation Sales Tax	308,028	15,072	292,956
Collection and Disbursement Sales Tax	42,499	5,110	37,389
County Commissioner District 1 Sales Tax	572,470	44,644	527,826
County Commissioner District 2 Sales Tax	146,013	-	146,013
County Commissioner District 3 Sales Tax	622,496	201,111	421,385
Senior Citizens Sales Tax	283,324	46,672	236,652
Rural Fire Department Sales Tax	159,202	24,383	134,819
County Audit Budget Account	15,032	15,032	-
Total Expenditures, Budgetary Basis	<u>5,170,182</u>	<u>2,364,052</u>	<u>2,806,130</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	4,250,142	<u>\$ 4,250,142</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		153,427	
Add: Current Year Reserves		13,654	
Ending Cash Balance		<u>\$ 4,417,223</u>	

**MURRAY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 179,168	\$ 179,168	\$ -
Less: Prior Year Outstanding Warrants	(8,205)	(8,205)	-
Less: Prior Year Reserves	(16,767)	(15,461)	1,306
Beginning Cash Balances, Budgetary Basis	154,196	155,502	1,306
Receipts:			
Ad Valorem Taxes	158,604	168,752	10,148
Charges for Services	-	1,717	1,717
Intergovernmental Revenues	-	670	670
Total Receipts, Budgetary Basis	158,604	171,139	12,535
Expenditures:			
Health and Welfare	312,800	205,107	107,693
Total Expenditures, Budgetary Basis	312,800	205,107	107,693
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	121,534	\$ 121,534
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		41,500	
Add: Current Year Outstanding Warrants		361	
Ending Cash Balance		\$ 163,395	

MURRAY COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale Property	\$ 120,829	\$ 82,039	\$ 64,816	\$ 138,052
County Clerk Lien Fee	13,118	9,756	560	22,314
County Clerk RM&P	64,783	20,500	5,456	79,827
Sheriff Special Fee	48,178	110,122	113,926	44,374
County Treasurer Fee	17,978	2,510	1,363	19,125
Assessor Visual Inspection	1,520	2,845	880	3,485
Community Service Sentencing Program (CSSP)	435	-	-	435
Sheriff DOC	36,293	49,529	69,340	16,482
Sheriff Drug Forfeiture	15	-	-	15
Child Abuse Prevention	5,246	164	556	4,854
Courthouse Restoration Special	120	-	-	120
CENA - Dougherty Senior Citizens Grant				
- Community Expansion of Nutritional Assistance	8,753	1,751	7,763	2,741
CENA - Hickory Senior Citizens Grant				
- Community Expansion of Nutritional Assistance	9,872	767	-	10,639
Fair Barn Renovation	173	-	-	173
Work Force Center	17,123	23,291	12,823	27,591
Fair Barn	600	12,200	12,150	650
Sheriff Community Grant	355	-	-	355
REAP Grant - Joy Fire Department	13,094	-	9,043	4,051
Sheriff Courthouse Security	61,132	14,003	2,631	72,504
CENA - Oak Grove Senior Citizens Grant				
- Community Expansion of Nutritional Assistance	7,688	2,500	-	10,188
Murray County Nutrition	321	-	-	321
Cash Highway Reward Fund	2,000	-	-	2,000
Cash Highway CBRI	1,346,472	169,932	5,550	1,510,854
Cash Highway Bridge	166,696	-	-	166,696
Wildfire Plan	1,000	-	-	1,000
OK Bar Foundation Grant	-	8,734	8,734	-
County Clerk Cash Drawer	25	-	-	25
Murray County Parking Lot	2,441	-	-	2,441
Combined Total - Remaining Aggregate Funds	\$ 1,946,260	\$ 510,643	\$ 315,591	\$ 2,141,312

**MURRAY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statute.

County Clerk RM&P – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

Sheriff Special Fee – accounts for the collection and disbursement of County Sheriff process service fees as restricted by statute.

County Treasurer Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursement of funds as restricted by statute.

Assessor Visual Inspection – accounts for the collection and disbursement of monies by the County Assessor as restricted by state statute for the visual inspection program.

Community Service Sentencing Program (CSSP) – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

Sheriff DOC – accounts for collections of funding through the State Department of Corrections for maintaining prisoners.

**MURRAY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sheriff Drug Forfeiture – accounts for forfeitures and disbursements for drug enforcement.

Child Abuse Prevention – accounts for monies received from jurors to aid in the prevention of child abuse.

Courthouse Restoration Special - accounts for County sales tax collected and disbursed for improvements of the courthouse.

CENA - Dougherty Senior Citizens Grant – Community Expansion of Nutritional Assistance – accounts for grant funds received for the maintenance and operation of this senior citizens center.

CENA - Hickory Senior Citizens Grant – Community Expansion of Nutritional Assistance – accounts for grant funds received for the maintenance and operation of this senior citizens center.

Fair Barn Renovation – accounts for grant monies received and disbursed as restricted by the grant agreement.

Work Force Center – accounts for rent collected from the fairgrounds building and disbursed for payment of the building's utilities.

Fair Barn – accounts for the collection of revenues generated from building rent, booth rental, and other fees.

Sheriff Community Grant – accounts for grant monies received from Wal-Mart Foundation disbursed for equipment and supplies for community services.

REAP Grant – Joy Fire Department – accounts for grant monies received from Southern Oklahoma Development Association for the renovation of the Joy Fire Department.

Sheriff Courthouse Security – accounts for the collection of fees from court cost and disbursed for surveillance equipment.

CENA - Oak Grove Senior Citizens Grant – Community Expansion for Nutritional Assistance – accounts for grant funds received for the maintenance and operation of this senior citizens center.

Murray County Nutrition – accounts for grant monies received and disbursed as restricted by the grant agreement.

Cash Highway Reward Fund – accounts for monies used for littering reward.

Cash Highway CBRI – accounts for monies received from State of Oklahoma to be used for County road and bridges.

**MURRAY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cash Highway Bridge – accounts for monies received from the State of Oklahoma to be used exclusively for bridges.

Wildfire Plan – accounts for federal grant monies received and disbursed for wildfire prevention.

OK Bar Foundation Grant – accounts for grant and foundation monies received and disbursed as restricted by the agreement.

County Clerk Cash Drawer – accounts for cash maintained in County Clerk’s office for the cash drawer.

Murray County Parking Lot – accounts for grant funds received from State of Oklahoma and disbursements are to maintain the County and county health department parking lot.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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
MURRAY 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 combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Murray County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Murray County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 29, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Murray 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 statement, but not for the purpose of expressing an opinion on the effectiveness of Murray County's internal control. Accordingly, we do not express an opinion on the effectiveness of Murray County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-2, 2013-3, and 2013-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Murray County's financial statement is 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 Murray County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Murray County's Responses to Findings

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

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

June 29, 2015

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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*

2013-1 – County-Wide Internal Controls (Repeat Finding)

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

Cause of Condition: Policies and 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: The Oklahoma State Auditor & Inspector’s Office (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:

Board of County Commissioners Chairman, County Clerk, and County Treasurer: We will set up quarterly meetings, during the County Commissioners’ meeting, with all elected officials to discuss and take action regarding risk management and monitoring.

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 met. 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.

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

2013-2 – Inadequate Internal Controls Over Information System Security

Condition: Upon review of the computer systems within the offices of the County Treasurer and the County Clerk, the following was noted:

- Passwords are not required to be changed periodically in the County Clerk’s or County Treasurer’s office.
- User roles are not being used or assigned in the County Clerk’s or County Treasurer’s offices.
- The audit log is not being utilized as a form of management oversight.

Cause of Condition: Procedures have not been designed to address security management over information systems.

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character, and an expiration of a minimum of at least every ninety days. In addition, OSAI recommends passwords not be shared, access to servers be limited, and user rights be assigned. OSAI further recommends that audit logs be reviewed and used as a management tool.

Management Response:

County Treasurer: The County Treasurer’s office will begin changing passwords ever ninety days and will check with the software vendor to determine what levels of administrative rights are in place, what restrictions can be password protected, and inquire about the audit log.

County Clerk: The County Clerk’s office will begin changing passwords every ninety days and will check with the software vendor to determine what levels of administrative rights are in place, what restrictions can be password protected, and inquire about the audit log.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobitT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

2013- 3 – Inadequate Internal Controls Over the Collection Process

Condition: A lack of segregation of duties exists in the following offices:

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- County Treasurer – The County Treasurer has segregated the duties of preparing/reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts and prepare journal entries. Also, all employees work from the same cash drawer. In addition, all employees are able to void receipts. A daily mail log is not maintained, and there is no independent oversight of the accuracy of the compilation of the monthly reports.
- County Clerk – All employees issue receipts and work from the same cash drawer. There is no independent review of deposits before they are taken to the County Treasurer. Voided receipts are not monitored. Additionally, a daily mail log is not maintained.
- County Assessor – All employees issue receipts and work from the same cash bag. There is no independent review of deposits before they are taken to the County Treasurer. Voided receipts are not monitored. Additionally, a daily mail log is not maintained.
- County Sheriff – One employee performs the duties of receipting, depositing, and reviewing. Daily deposits are not made with the County Treasurer. Voided receipts are not monitored. Additionally, a daily mail log is not maintained.
- Court Clerk – All employees issue receipts and work from the same cash drawer. There is no independent review of deposits before they are taken to the County Treasurer. Voided receipts are not monitored.

Cause of Condition: Procedures have not been designed and implemented with regard to segregating the duties over all aspects of the receipting process.

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 of the County Treasurer's office be adequately segregated:

- Issuing receipts.
- IT access to delete or void receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition, OSAI recommends establishing a system of internal controls to adequately protect the collections of the County Treasurer's office, which include, but are not limited to, compiling a daily mail log of payments received in the mail.

Further, OSAI recommends establishing a system of controls to adequately protect the collections of all offices, which include but are not limited to the following:

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.
- Depositing funds received daily.

In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating internal controls to mitigate the risks involved with a concentration of duties. Compensating internal controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Treasurer: Due to limited staff, employees must maintain all functions to offer prompt service to the citizens of Murray County. Also, voided receipts are being reviewed and we will count drawers on a monthly basis.

County Clerk: Due to limited space, all employees work from one cash register. We will start initialing the deposits to indicate they were reviewed by someone other than the person preparing the deposit slip, and voided receipts will be monitored.

County Assessor: Our office cannot get change from the County Treasurer's office so we must work out of one bag. This is also part of the reason cash is not deposited on a daily basis. We have one receipt book to reconcile to one cash bag. We do not have time to log all the mail that comes through my office.

County Sheriff: A mail log will be implemented and we will segregate duties. Also, voided receipts will be reviewed and deposits will be made daily.

Court Clerk: Due to limited space, all employees work from one cash register. We will start initialing the deposits to indicate they were reviewed by someone other than the person preparing the deposit slip, and voided receipts will be monitored.

Auditor Response: Although segregation of duties may not be possible due to limited personnel, compensating controls can be implemented to mitigate the risk involved with a concentration of duties.

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

Finding 2013-5 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process

Condition: We noted the following weaknesses regarding the disbursement process:

- The Purchasing Agent solely performs key duties with no independent verification of accuracy.
- The Purchasing Agent encumbers funds, verifies availability of encumbrance, prints the purchase orders, verifies supporting documentation, initiates payments for claims, and prints warrants.

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- The County Clerk reconciles the appropriation ledger and warrants registered to the County Treasurer monthly; however, there is no verification of an independent review maintained.
- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, and maintains personnel files.

Cause of Condition: Procedures have not been designed to adequately segregate key accounting functions regarding the purchasing and payroll processes to ensure compliance with state statutes.

Effect of Condition: These conditions could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends implementing compensating controls to mitigate the risk 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 accounting functions.

OSAI also recommends the following key account functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Maintaining personnel files.
- Preparing end of month payroll reports.

Management Response:

County Clerk: Compensating controls over purchasing and payroll will be implemented. The key payroll processes will be separated where possible. All reviews will be documented and dated.

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

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 2013-10 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories

Condition: Upon inquiry and observation of fixed assets and consumable inventory records, the following weaknesses were noted:

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- All offices have not designed procedures to perform and document an annual physical inventory of all fixed assets.

Additionally, we selected a sample of thirty-six fixed asset items from the inventory records and visually verified each item. Of the thirty-six fixed assets items tested, the following exceptions were noted:

Items not visibly marked with County identification numbers and/or “Property of Murray County.”

County Identification Number	Description of Item	County Office
H10-603-1	2007 Telco Headsets	Assessor
H10-102-6	Chair	Assessor
H10-105-9	Gray Desk	Assessor
F9-220-22	2014 HP Computer	County Clerk
F9-105-8	Vertical Filing	County Clerk
F9-219-7	Epson Receipt M188A	County Clerk
J11-213-2	Canon Copy Machine Imagine Runner	Court Clerk
J11-640-1	Sportsman Ice Machine	Court Clerk
J11-102-8	Leather Office Chair	Court Clerk
B6-606-1	Bushmaster Rifle AR 15 Rifle	Sheriff
B6-417	1990 Generator-Gas	Sheriff
B6-629-5	2014 Crosley Dryer	Sheriff
B6-610-1	Refrigerator	Sheriff
B6-213-2	1999 Copy Machine GP200S	Sheriff
C7-216-2	Mail Opener 1225	Treasurer
C7-213-3	Cannon Copy Machine Image Runner	Treasurer
C7-216-6	Envelope Stuffer	Treasurer
D2-341-1	1987 Post Hole Digger	District 2
D2-330-23	Chain Saw	District 2
D2-330-30	2001 Pole Limb Saw	District 2
D2-439-2	1994 Power Washer	District 2
D2-450-2	Weed Eater 1999 FS85	District 2
D2-452-2	Brush Chipper 1000	District 2
D3-330-7	Stihl Chainsaw MS210-16	District 3
D3-304-12	2009 John Deere 5101 E Tractor	District 3
D3-452-1	Brush Chipper BC 1000XL	District 3
D3-439-1	1998 Power Washer	District 3
D3-330-5	Shaft Trimmer 2001	District 3
D3-406-2	2007 Air Compressor	District 3

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Items on inventory list unable to be located.

County Identification Number	Description of Item	County Office
B6-900-1	Office Trailer	Sheriff

Also, of the eighteen consumable items tested, the following was noted:

District Office	Description	Amount on Inventory	Amount Visually Verified
District 1	Diesel	516 gallons	336 gallons
District 2	Grader Blades 5/8 Holes	15	12

Cause of Condition: Procedures have not been designed and implemented by County officers for the accurate reporting of fixed assets and consumable inventory items as well as procedures to ensure the proper marking of equipment.

Effect of Condition: These conditions resulted in noncompliance with state statutes. 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 fixed assets and consumable inventories.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed assets and consumable inventory records to ensure compliance with 69 O.S. § 645, 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), and 19 O.S. § 1504(A).

Management Response:

County Assessor: We will maintain documentation of the physical inventory in the future. We will also work to ensure that all items are properly marked with County identification numbers.

County Clerk: We will maintain documentation of the physical inventory in the future. We will also work to ensure that all items are properly marked with County identification numbers.

County Commissioner District 1: We will perform an annual inventory count and retain documentation. We will also work to ensure that all items are properly marked with County identification numbers.

County Commissioner District 2: We will perform an annual inventory count and retain documentation. We will also work to ensure that all items are properly marked with County identification numbers.

County Commissioner District 3: We will perform an annual inventory count and retain documentation. We will also work to ensure that all items are properly marked with County identification numbers.

**MURRAY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Sheriff: We will perform an annual inventory count and retain documentation. We will also work to ensure that all items are properly marked with County identification numbers.

County Treasurer: We will maintain documentation of the physical inventory in the future, and ensure that all items are properly marked with County identification numbers.

Court Clerk: We will maintain documentation of the physical inventory in the future.

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.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV