

OPERATIONAL AUDIT

MURRAY COUNTY

For the fiscal year ended June 30, 2015



*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 OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Oklahoma State Auditor & Inspector

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May 10, 2016

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

Transmitted herewith is the audit report of Murray County for the fiscal year ended June 30, 2015.

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

**MURRAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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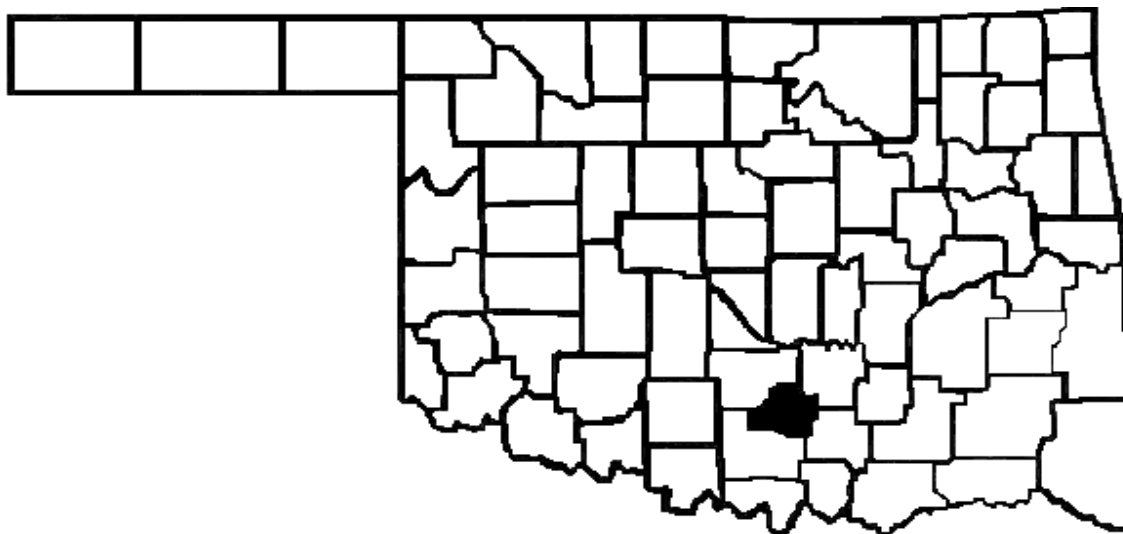
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**MURRAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



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 – 13,803
(2014 est.)

Farms – 470

Land in Farms – 208,149 Acres

Primary Source: Oklahoma Almanac 2015-2016

**MURRAY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Kent McKinley
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

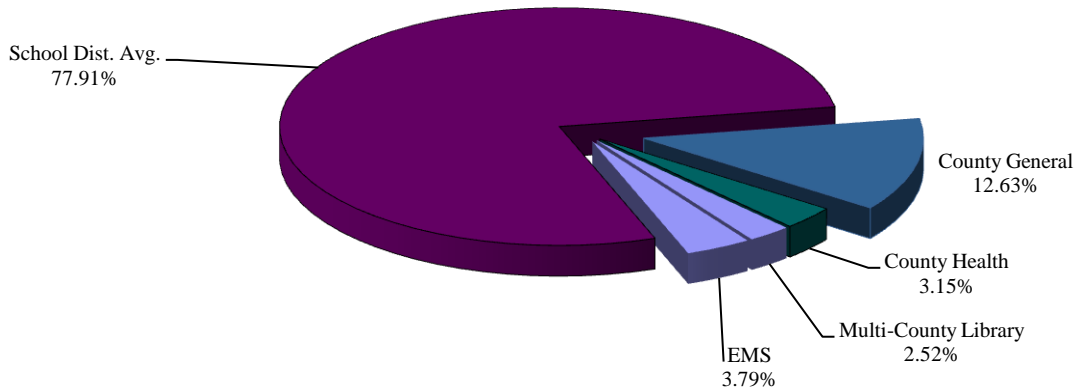
Christie Pittman

District Attorney

Craig Ladd

**MURRAY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	8.18	14.76	4.14	68.36
Multi-County Lit	2.07	Davis	I-10A	36.10	5.16	9.18	14.76	4.14	69.34
EMS	3.11	Roff	JT I-37	39.10	5.59	6.12	13.06	4.14	68.01
		Wynnewood	JT I-38	36.75	5.25	2.62	11.47	4.14	60.23
		Elmore City	JT I-72	41.00	5.80	4.39	11.47	4.14	66.80
		Mill Creek	JT I-2	41.19	5.88	-	-	4.14	51.21

**MURRAY COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax

Sales Tax of March 7, 2006

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.

Sales Tax of November 8, 2011

The voters of Murray County approved a one-percent (1%) sales tax on November 8, 2011. The sales tax became effective January 1, 2012 and has a term of 10 years. The sales tax is to be earmarked and used for maintaining General Government, County Commissioners, Economic Development, Sulphur Chamber of Commerce, Davis Chamber of Commerce, Murray County Senior Citizens Organizations, Rural Fire Departments, Rural Emergency Management, 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 Facilities and Grounds, OSU Extension Office (Agriculture), Miscellaneous Collection Fees, EMS (Ambulance Service), and Enhanced 911. These funds are accounted for in various accounts within the County General Fund.

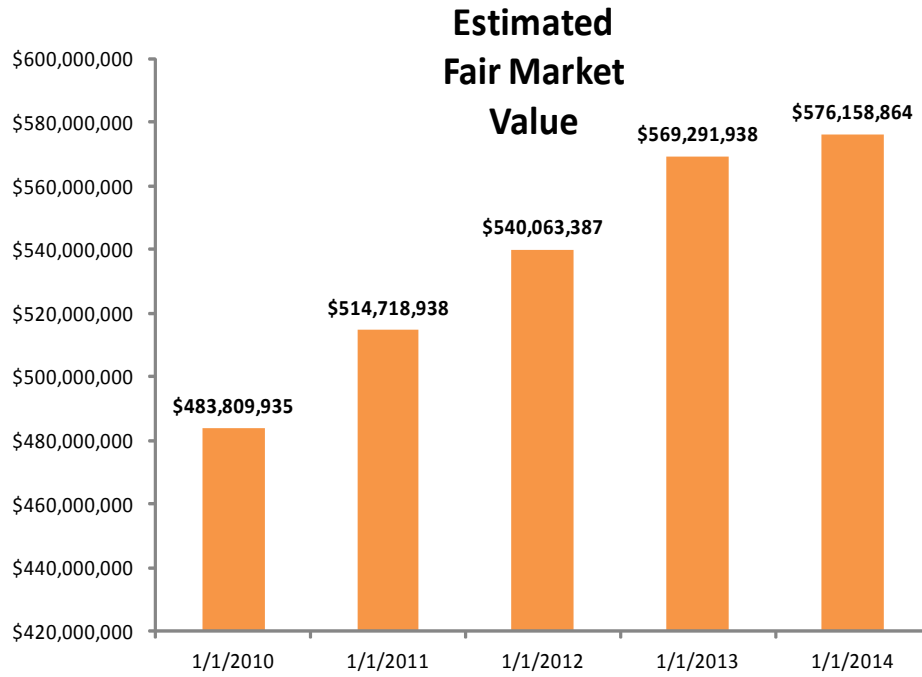
Revenue Use	Total Collections
Arbuckle Memorial Hospital	\$1,692,395
General Fund	
General Government	\$440,025
County Commissioners	\$355,406
EMS (Ambulance Service)	\$88,852
Enhanced 911	\$88,852
County Sheriff	\$84,622
Murray County Senior Citizens Organizations	\$67,697
County Clerk	\$67,697
Court Clerk	\$67,697
County Treasurer	\$67,697
Courthouse Facilities and Grounds	\$67,697
County Assessor	\$59,236
Rural Fire Departments	\$59,204
Murray County Fair Board	\$50,773
OSU Extension Office (Agriculture)	\$50,773
Economic Development	\$33,850
Miscellaneous Collection Fees	\$16,925

**MURRAY COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Revenue Use	Total Collections
Sulphur Chamber of Commerce	\$4,232
Davis Chamber of Commerce	\$4,232
Rural Emergency Management	\$4,232
Home Extension Organizations	\$4,232
4-H Organizations	\$4,232
County Sheriff's Reserve Deputies	\$4,232
Total General Fund	\$1,692,395
Total Sales Tax Collected	\$3,384,790

**MURRAY COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

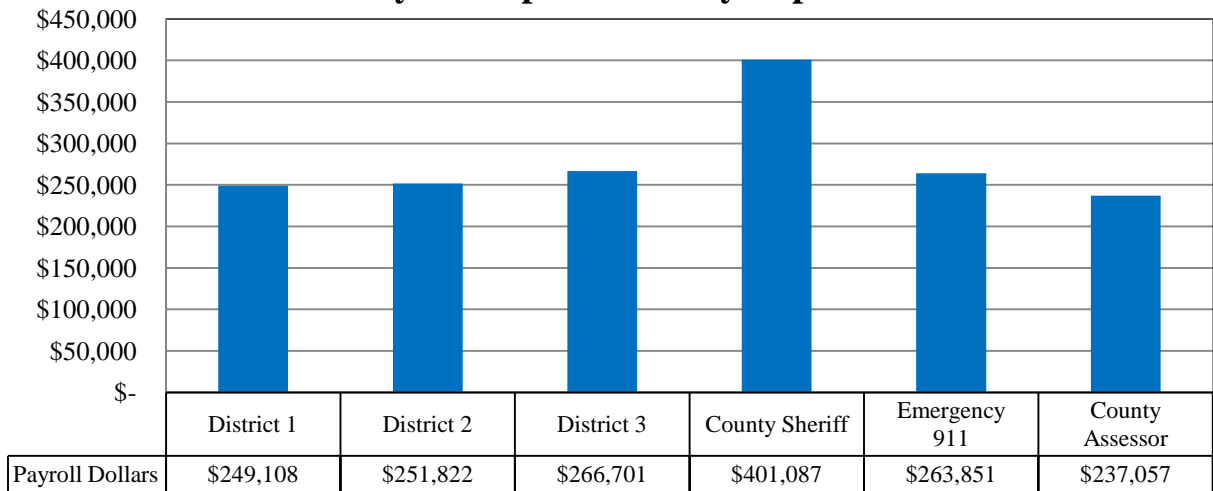
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$14,851,190	\$14,480,170	\$46,683,408	\$3,706,546	\$72,308,222	\$576,158,864
1/1/2013	\$17,309,853	\$12,783,683	\$44,291,648	\$3,735,795	\$70,649,389	\$569,291,938
1/1/2012	\$14,539,745	\$13,317,333	\$43,274,076	\$3,770,405	\$67,360,749	\$540,063,387
1/1/2011	\$15,046,715	\$12,471,411	\$40,168,820	\$3,755,450	\$63,931,496	\$514,718,938
1/1/2010	\$13,523,318	\$10,886,721	\$38,816,559	\$3,734,133	\$59,492,465	\$483,809,935



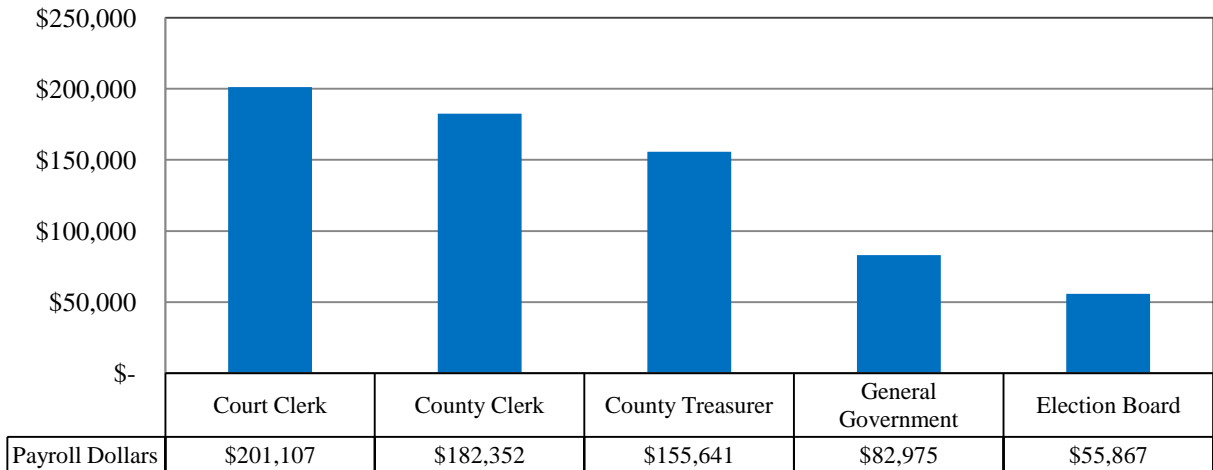
**MURRAY COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



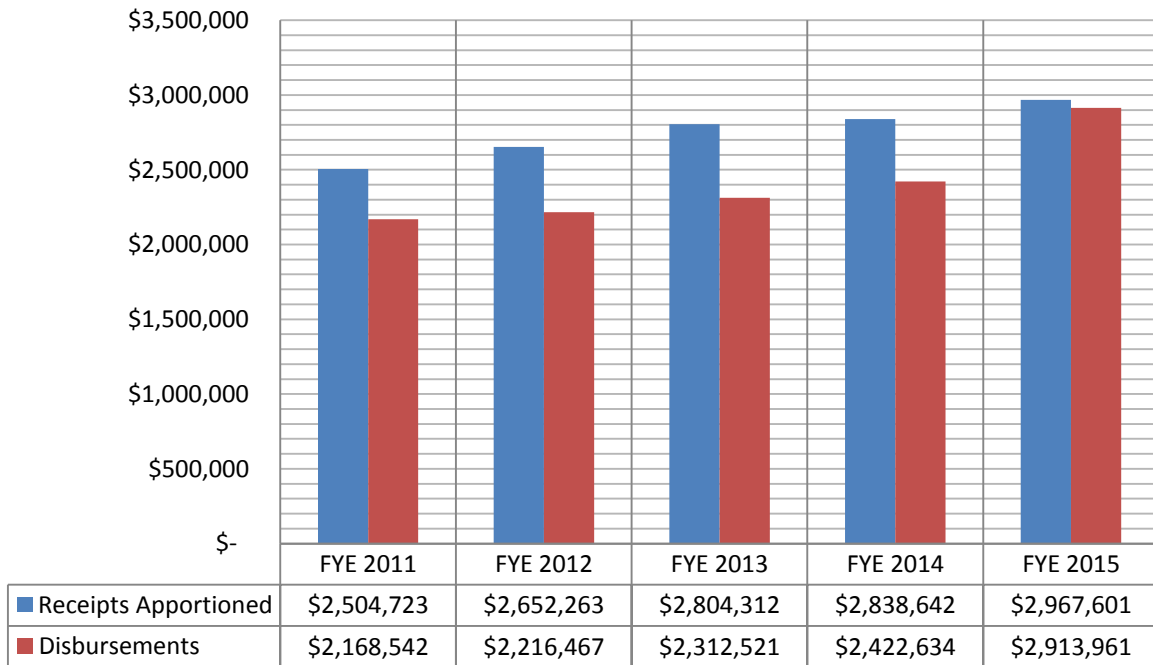
Payroll Expenditures by Department



**MURRAY COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

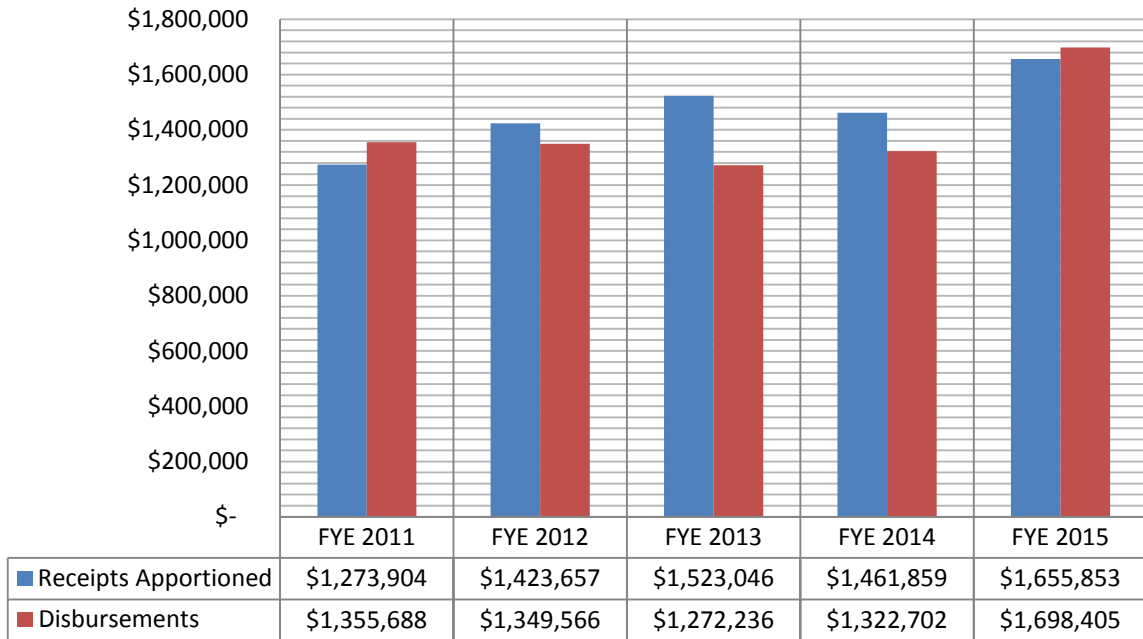
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2015**

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.



**MURRAY COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:				
County Funds:				
County General Fund	\$ 4,833,231	\$ 2,967,601	\$ 2,913,961	\$ 4,886,871
County Highway	1,107,711	1,655,853	1,698,405	1,065,159
County Health Department	138,466	186,069	159,214	165,321
Arbuckle Memorial Hospital Sales Tax	122,668	1,692,395	1,679,854	135,209
Sheriff Emergency 911	26,449	389,418	408,780	7,087
Resale Property	180,135	74,988	28,722	226,401
County Clerk Lien Fee	34,047	7,146	1,096	40,097
County Clerk Records Preservation Fee	90,771	17,625	3,040	105,356
Sheriff Special Fee	69,789	118,226	109,725	78,290
County Treasurer Fee	20,406	2,410	1,821	20,995
County Assessor Visual Inspection	5,247	1,922	3,700	3,469
Community Service Sentencing Program (CSSP)	435	-	-	435
Sheriff DOC	106,494	37,341	122,186	21,649
Sheriff Drug Forfeiture	15	-	-	15
Child Abuse Prevention	4,011	-	549	3,462
Courthouse Restoration Special	120	-	-	120
CENA - Dougherty Senior Citizens Grant				
- Community Expansion of Nutritional Assistance	1,440	5,607	1,479	5,568
CENA - Hickory Senior Citizens Grant				
- Community Expansion of Nutritional Assistance	11,540	3,334	289	14,585
Fair Barn Renovation	173	-	-	173
Work Force Center	38,363	22,515	12,196	48,682
Fair Barn	1,500	11,275	11,425	1,350
Sheriff Community Grant	355	-	-	355
REAP Grant - Joy Fire Department	4,051	13,175	1,484	15,742
Sheriff Courthouse Security	81,090	11,487	18,514	74,063
CENA - Oak Grove Senior Citizens Grant				
- Community Expansion of Nutritional Assistance	8,959	8,154	7,000	10,113
Murray County Nutrition	321	2,000	-	2,321
Cash Highway Reward Fund	2,000	-	2,000	-
Cash Highway CBRI	1,460,965	169,360	254,953	1,375,372
Cash Highway Bridge	166,696	-	-	166,696
Wildfire Plan	1,000	-	-	1,000
Cell Tower Rent	-	7,250	-	7,250
County Clerk Cash Drawer	25	-	-	25
Murray County Parking Lot	2,441	-	-	2,441
Combined Total - All County Funds	\$ 8,520,914	\$ 7,405,151	\$ 7,440,393	\$ 8,485,672

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**MURRAY COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2015**

Description of County Funds

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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

County Highway – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and 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.

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.

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 Records Preservation Fee – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by state statute for the preservation of records.

Sheriff Special Fee – accounts for the collection and disbursement of 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 the disbursements of the funds as restricted by statute.

County Assessor Visual Inspection – accounts for the collection of fees for copies and the disbursement of funds as restricted by state statute.

**MURRAY COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2015**

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 monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners. Disbursements of funds are for jail operating expenses.

Sheriff Drug Forfeiture – accounts for funds collected from forfeitures to be used for the intervention and prevention of narcotic use.

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

Courthouse Restoration Special – accounts for monies held from an expired County sales tax 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 to be used for the maintenance and operation of the fair barn.

Sheriff Community Grant – accounts for grant monies received and disbursed for equipment and supplies for community services.

REAP Grant – Joy Fire Department – accounts for grant monies received and the disbursements are for the renovation of the Joy Fire Department.

Sheriff Courthouse Security – accounts for the receipt and disbursements of court fees for courthouse security.

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
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2015**

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

Cash Highway Reward Fund – accounts for monies received from donations and expended for information that leads to the capture of those illegally dumping trash.

Cash Highway CBRI – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

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

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

Cell Tower Rent – accounts for funds received from the rental of cell tower.

County Clerk Cash Drawer – accounts for the cash maintained in the 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 parking lot.

MURRAY COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,833,232	\$ 4,833,231	\$ (1)
Less: Prior Year Outstanding Warrants	(153,486)	(153,486)	-
Less: Prior Year Encumbrances	(65,301)	(63,677)	1,624
Beginning Cash Balances, Budgetary Basis	<u>4,614,445</u>	<u>4,616,068</u>	<u>1,623</u>
Receipts:			
Ad Valorem Taxes	681,669	737,857	56,188
Charges for Services	61,189	63,665	2,476
Intergovernmental Revenues	383,867	456,230	72,363
Sales Tax	400,000	1,692,395	1,292,395
Miscellaneous Revenues	8,539	17,454	8,915
Total Receipts, Budgetary Basis	<u>1,535,264</u>	<u>2,967,601</u>	<u>1,432,337</u>
Expenditures:			
District Attorney	10,000	9,269	731
County Sheriff	445,926	445,851	75
County Treasurer	141,831	141,831	-
County Commissioners	84,705	84,705	-
OSU Extension	58,028	55,993	2,035
County Clerk	189,770	182,834	6,936
Court Clerk	93,336	93,336	-
County Assessor	87,108	87,108	-
Revaluation of Real Property	167,567	165,804	1,763
General Government	63,265	58,731	4,534
Excise-Equalization Board	2,650	2,250	400
County Election Board	70,259	62,920	7,339
Insurance - Benefits	565,210	562,792	2,418
Charity	45,568	7,486	38,082
4-H Sales Tax	4,584	1,350	3,234
Sheriff Sales Tax	501	-	501
Treasurer Sales Tax	120,064	20,477	99,587
Civil Defense Sales Tax	26,988	6,491	20,497

Continued on next page

Source: County Estimate of Needs (presented for informational purposes)

MURRAY COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Continued from previous page	General Fund		
	Budget	Actual	Variance
Sulphur Chamber of Commerce Sales Tax	4,070	4,018	52
Davis Chamber of Commerce Sales Tax	4,073	4,073	-
Sheriff Deputy Reserves Sales Tax	9,750	9,000	750
Enhanced 911 Sales Tax	125,448	72,470	52,978
Agriculture Sales Tax	5,491	3,883	1,608
County Clerk Sales Tax	123,225	22,696	100,529
Assessor Sales Tax	133,415	32,676	100,739
Extension Homemakers Sales Tax	16,523	10,143	6,380
Economic Development Sales Tax	32,497	32,497	-
Court Clerk Sales Tax	146,722	43,035	103,687
EMS Sales Tax	85,306	77,260	8,046
General Government Sales Tax	405,697	46,213	359,484
Fair Board Sales Tax	73,762	56,467	17,295
Courthouse Renovation Sales Tax	413,863	63,574	350,289
Collection and Disbursement Sales Tax	65,008	5,724	59,284
County Commissioner District 1 Sales Tax	670,213	102,190	568,023
County Commissioner District 2 Sales Tax	343,399	100,247	243,152
County Commissioner District 3 Sales Tax	763,770	299,436	464,334
Senior Citizens Sales Tax	314,149	46,068	268,081
Rural Fire Department Sales Tax	228,737	67,582	161,155
County Audit Budget Account	7,231	1,221	6,010
Total Expenditures, Budgetary Basis	<u>6,149,709</u>	<u>3,089,701</u>	<u>3,060,008</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	4,493,968	<u>\$ 4,493,968</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		40,392	
Add: Current Year Encumbrances		352,511	
Ending Cash Balance		<u>\$ 4,886,871</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, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 138,466	\$ 138,466	\$ -
Less: Prior Year Outstanding Warrants	(460)	(461)	(1)
Less: Prior Year Encumbrances	(1,333)	(941)	392
Beginning Cash Balances, Budgetary Basis	136,673	137,064	391
Receipts:			
Ad Valorem Taxes	170,253	184,286	14,033
Charges for Services	1,112	1,112	-
Intergovernmental Revenues	-	671	671
Total Receipts, Budgetary Basis	171,365	186,069	14,704
Expenditures:			
County Health Budget Account	308,038	172,753	135,285
Total Expenditures, Budgetary Basis	308,038	172,753	135,285
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	150,380	\$ 150,380
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		14,303	
Add: Current Year Outstanding Warrants		638	
Ending Cash Balance		\$ 165,321	

Source: County Estimate of Needs (presented for informational purposes)

**MURRAY COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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 2015.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2015-3 – Inadequate Segregation of Duties – County Treasurer (Repeat Finding)

Condition: 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 and 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.

Additionally, the bank reconciliations are not being signed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over all aspects of the receipting process and reconciling bank statements.

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: The Oklahoma State Auditor & Inspector's Office (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 safeguard 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.

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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.

OSAI also recommends that the bank reconciliations be signed and approved by someone other than the preparer.

Management Response:

County Treasurer: We will continue to work towards adequately segregating these duties. We will implement the review of voided receipts. We will also begin to have a reviewer sign the completed reconciliations.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. Further, all bank accounts should be reconciled in a timely manner and reconciliation should be properly reviewed.

Objective 2: 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.

Objective 3: 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.

Objective 4: To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County’s internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records. However, the financial operations complied with significant laws and regulations.

FINDINGS AND RECOMMENDATIONS

Finding 2015-4 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll process, the following weaknesses were noted:

- Four (4) payroll timesheets were not approved by the supervisor.

Additionally, the audit of forty (40) purchase orders reflected the following:

- The purchasing agent performed both the duties of the Purchasing Agent and the County Clerk. The purchasing agent approved the issuance and encumbrance of the purchase order, and also certified that the encumbrance has been entered against the appropriate account and that the encumbrance is within the authorized available balance.

Additionally, the audit of forty (40) cash vouchers reflected the following:

- Two (2) cash vouchers were not approved on the back of the cash voucher claim by the elected official.

Cause of Condition: Policies and procedures have not been designed and implemented over the disbursements process to strengthen internal controls and ensure compliance with state statute.

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

Recommendation: OSAI recommends that all timesheets be signed by the employee and approved by the supervisor. OSAI also recommends that the Purchasing Agent approve the issuance and encumbrance of the purchase order and that the County Clerk certify the encumbrance. Additionally, OSAI recommends that all cash voucher claims be properly approved and signed by the elected official.

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OSAI further recommends that all cash voucher claims be properly approved and signed by the official.

Management Response:

County Clerk: We will be more diligent in ensuring payroll procedures in place are followed by all personnel. We will work to properly segregate the duties within the County Clerk's office, and ensure that cash voucher claims are signed by the official.

Chairman of the Board of County Commissioners: The Board of County Commissioners will emphasize to all departments and offices the importance of properly signing and approving timesheets, and that the timesheets be compared to payroll claim.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated 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 payroll distribution should be segregated.

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

Title 19 O.S. § 1500 (A) requires the county clerk of each county or an employee of that office so designated by the county clerk shall be the county purchasing agent.

Title 19 O.S. 1505(C) (1,2, and 3) requires that after selecting a vendor, the procedure for the purchase, lease-purchase, or rental of supplies, materials, equipment and information technology and telecommunication goods and services used by a county shall be as follows:

1. The county purchasing agent shall prepare a purchase order in quadruplicate and submit it with a copy of the requisition to the county clerk;
2. The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order;
3. If there is an unencumbered balance in the appropriation made for that purpose by the county excise board, the county clerk shall so certify that the amount of the encumbrance has been entered against the designated appropriation accounts and that this encumbrance is within the authorized available balance of said appropriation.

All Objectives:

The following finding is not specific to any objective, but is considered significant to all of the audit objectives.

Finding 2015-1 - Inadequate County-Wide Controls (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented to address risks of the County.

Effect of Condition: Without an adequate system of county-wide internal controls, there is risk of a breakdown in control activities which 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:

Board of County Commissioners: The Board of County Commissioners will work together with all County Officials towards assessing and identifying risks and to design written policies and procedures regarding county-wide controls, as well as to develop a plan to monitor the County's internal controls to ensure that audit findings and other reviews are properly resolved.

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.

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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 issue should be communicated to management.

Finding 2015-2 – Inadequate Internal Controls Over Information Technology – County Clerk and County Treasurer (Repeat Finding)

Condition: Upon review of the computer systems within the County Clerk’s office and County Treasurer’s office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition has been sanitized to protect the County Pursuant to the provision of 51 O.S. § 24A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

Effect of Condition: This condition could result in compromised security for computers, computer programs, and data.

Recommendation: OSAI recommends the County comply with best practice presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Clerk: I will implement controls

County Treasurer: I will implement controls.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, 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

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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.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Murray County
Board of County Commissioners
Murray County Courthouse
Sulphur, Oklahoma 73086

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2015:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Murray County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

May 9, 2016

SCHEDULE OF FINDINGS AND RESPONSES

**Finding 2015-5 – Inadequate Internal Controls and Noncompliance Over the Inventory Process
(Repeat Finding)**

Condition: While gaining an understanding of internal controls over fixed assets, and testing compliance with state statutes over fixed assets, we noted the following:

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1.
- The following departments did not file an annual physical inventory with the County Clerk’s office: County Assessor, County Treasurer, County Sheriff, District 1, District 2, and District 3. Court Clerk, Election Board, County Health Department, and Solid Waste.
- The offices of County Clerk, County Assessor, District 1, and District 3 have not designed policies and procedures to perform and document an annual physical inventory of all fixed assets.
- Two fixed assets at District 2 were not marked “Property of Murray County.”

The following was noted, while gaining an understanding of internal controls over consumable inventory and testing compliance with state statutes over consumable inventory:

- There is was no evidence of a periodic inventory count of consumable inventory at District 1 and District 3.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets and consumable inventories by performing physical counts, and maintaining the fixed assets inventory records with the County Clerk, and properly marking equipment.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in inaccurate, incorrect information or loss of assets.

Recommendation: OSAI recommends that the County maintain a continuous inventory on fixed assets and perform a periodic count of consumable inventories in accordance with 19 O.S. § 178.1. OSAI also recommends that the officials file their inventories with the County Clerk in accordance with 19 O.S. § 178.3. OSAI further recommends that any fixed assets required, are properly identified with “Property of...,” in accordance with 69 O.S. § 645.

Management Response:

County Clerk: The County Clerk will perform an annual count of fixed assets and maintain supporting documentation within her office.

County Treasurer: The County Treasurer will file the inventory listing with the County Clerk.

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County Assessor: The County Assessor will perform an annual count of fixed assets and file it with the County Clerk.

County Sheriff: The County Sheriff will file the inventory listing with the County Clerk.

Court Clerk: The Court Clerk will file the inventory listing with the County Clerk.

County Commissioners District 1, 2, and 3: We will work to implement a system of internal controls to ensure fixed assets are properly identified and perform monthly consumable inventory counts. We will also file the inventory listings with the County Clerk.

Election Board: The Election Board will perform an annual count of fixed assets and maintain supporting documentation and file it with the County Clerk.

County Health Department: The County Health Department will perform an annual count of fixed assets and maintain supporting documentation and file it with the County Clerk.

Solid Waste Department: The Solid Waste Department will perform an annual count of fixed assets and maintain supporting documentation and file it with the County Clerk.

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.

Title 19 O.S. § 178.1 states, "The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased or let where authorized by statute, junked, strayed or stolen, and annually thereafter, or oftener in event of death, resignation or removal of an elective officer with a term, to verify or cause to be verified by count and report of the same as of the end of a term of office and as part and parcel of the accounting required by law of a retiring or re-elected officer, and, as to appointive heads of departments amenable directly to the board of county commissioners and as to quasi-governmental boards and commissions such as free fair boards, hospital boards and the like, the same shall be as of the last business day immediately preceding the day certain

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commencing a new term of the board of county commissioners; all in the manner as provided by law.”

Title 19 O.S. § 178.3 states, “A. The county clerk shall be custodian and repository of all inventory records, files and reports.”

Title 69 O.S. § 645 states in part, “all county owned, rented, or leased road machinery and equipment shall be conspicuously and legibly marked PROPERTY OF (name of county) COUNTY...”



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