

OPERATIONAL AUDIT

MURRAY COUNTY

For the fiscal year ended June 30, 2016



*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, 2016**

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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 28, 2017

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

Transmitted herewith is the audit report of Murray County for the fiscal year ended June 30, 2016.

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 written in a cursive, flowing style.

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

**MURRAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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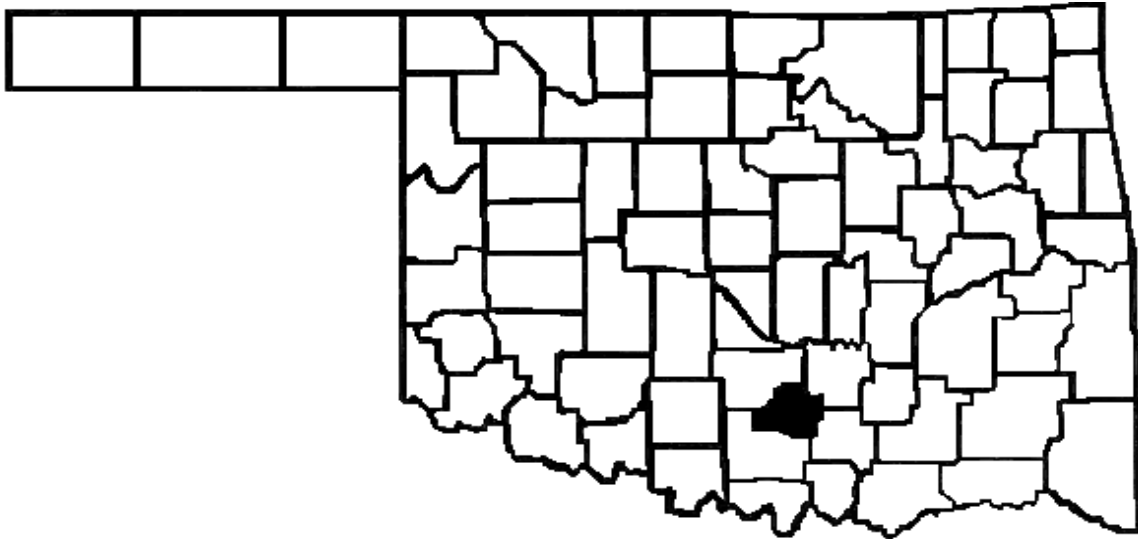
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**MURRAY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



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 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, 2016**

Board of County Commissioners

District 1 – Kent McKinley
District 2 – Jimmy Rackley
District 3 – Darrell Hudson

County Assessor

Scott Kirby

County Clerk

Melissa Hilliard

County Sheriff

Darrel Richardson

County Treasurer

Judy Wells

Court Clerk

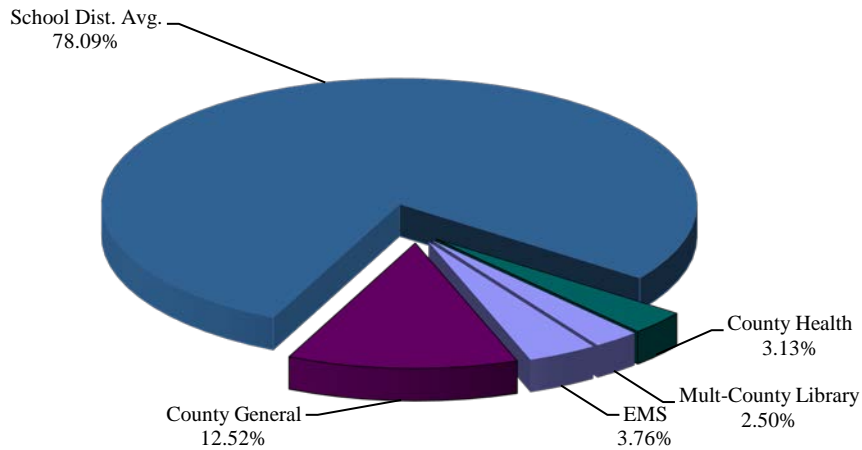
Christie Pittman

District Attorney

Craig Ladd

**MURRAY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	Davis	I-10A	36.10	5.16	4.85	14.69	4.14	64.94
Multi County Library	2.07	Sulphur	I-A	36.12	5.16	8.22	14.69	4.14	68.33
EMS	3.11	Roff	JT I-37	39.10	5.59	5.13	13.06	4.14	67.02
		Wynnewood	JT I-38	36.75	5.25	2.29	11.47	4.14	59.90
		Elmore City	JT I-72	41.00	5.80	14.26	11.47	4.14	76.67
		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, 2016**

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 an unlimited duration. The sales tax is to be earmarked and used exclusively for the operation, planning, financing, construction, improvements to and maintenance of the Arbuckle Memorial Hospital. These funds are accounted for in the Arbuckle Memorial Hospital Sales Tax fund.

Sales Tax of November 8, 2011

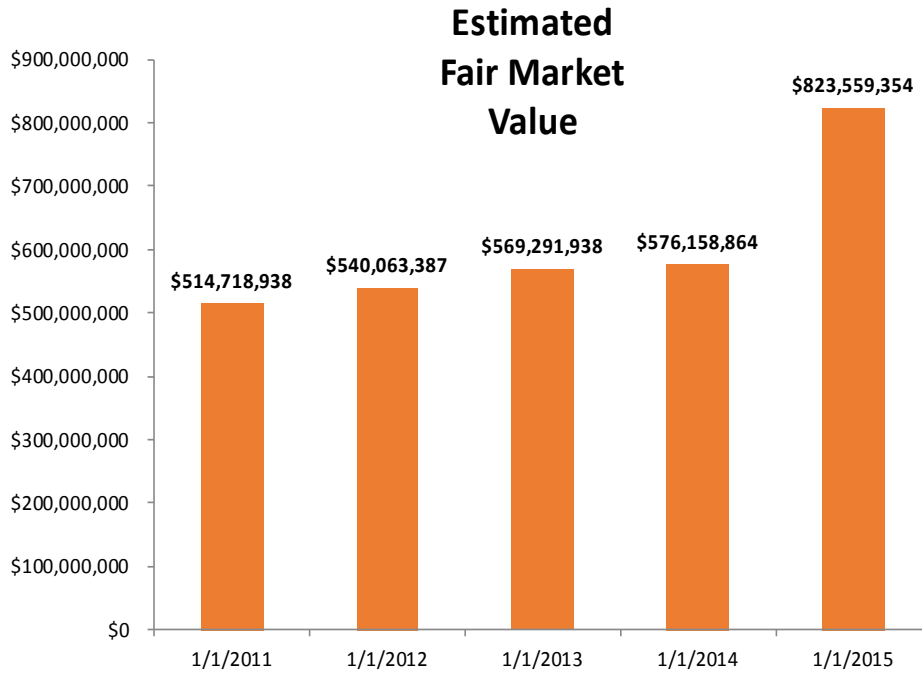
The voters of Murray County approved a one-percent (1%) sales tax on November 8, 2011. The sales tax became effective January 1, 2012 and has a term of 10 years. The sales tax is to be earmarked and used for maintaining General Government, County Commissioners, Economic Development, Sulphur Chamber of 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.

During the fiscal year the County collected \$3,285,305 in total sales tax and it was apportioned accordingly:

Arbuckle Memorial Hospital	\$1,642,652	Murray County Courthouse Facilities and Grounds	\$65,706
Senior Citizen Organizations	65,706	Emergency Medical Services	86,239
Rural Fire Departments	57,493	Enhanced 911	86,239
Rural Emergency Management	4,107	OSU Extension Office	49,279
County Commissioners	344,957	Murray County Fair Board	49,279
County Sheriff	82,133	Home Extension Office	4,107
County Sheriff Reserve Deputies	4,107	4-H Organizations	4,107
County Clerk	65,706	Davis Chamber of Commerce	4,107
County Assessor	57,493	Sulphur Chamber of Commerce	4,107
County Treasurer	65,706	Economic Development	32,853
County Court Clerk	65,706	Collection and Disbursement Account	16,426
General Government	427,090	Total	<u>\$3,285,305</u>

**MURRAY COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

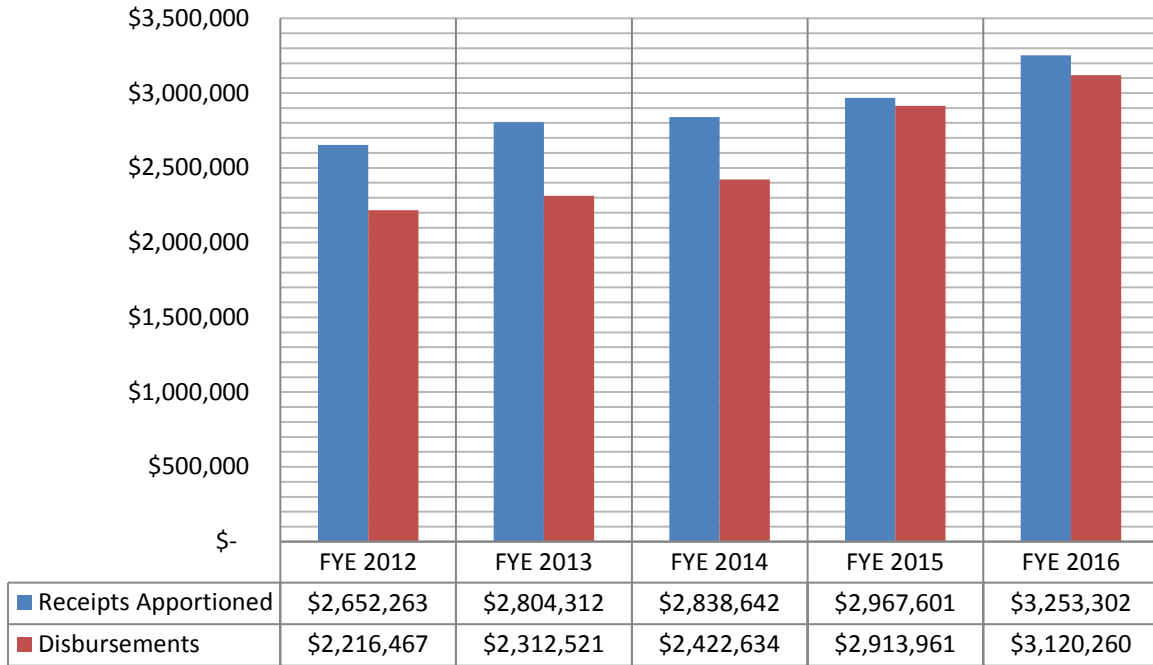
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$42,672,134	\$15,260,520	\$48,140,711	\$3,707,527	\$102,365,838	\$823,559,354
1/1/2014	\$14,851,190	\$14,480,170	\$46,683,408	\$3,706,546	\$72,308,222	\$576,158,864
1/1/2013	\$17,309,853	\$12,793,683	\$44,291,648	\$3,735,795	\$70,659,389	\$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



**MURRAY COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County General Fund

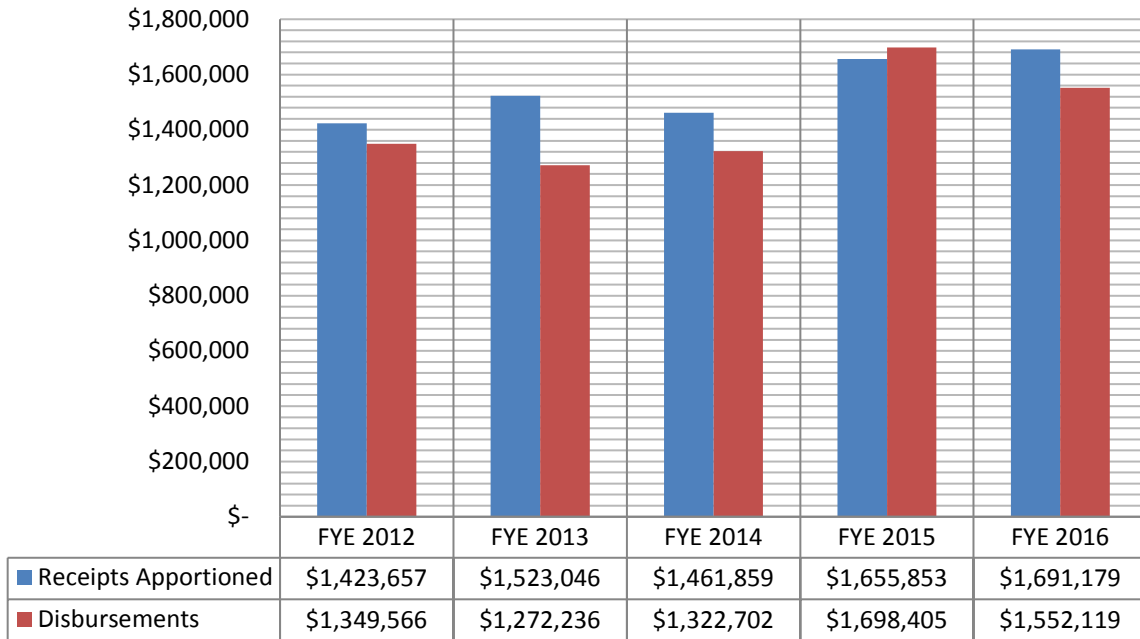
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also 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, 2016**

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, 2016**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:				
County Funds:				
County General Fund	\$ 4,886,871	\$ 3,253,302	\$ 3,120,260	\$ 5,019,913
County Highway	1,065,159	1,691,179	1,552,119	1,204,219
County Health Department	165,321	263,147	178,321	250,147
Arbuckle Memorial Hospital Sales Tax	135,209	1,642,652	1,655,986	121,875
Sheriff Emergency 911	7,087	435,634	396,668	46,053
Resale Property	226,401	58,268	53,348	231,321
County Clerk Lien Fee	40,097	7,023	1,039	46,081
County Clerk Records Preservation Fee	105,356	17,235	2,249	120,342
Sheriff Special Fee	78,290	120,455	132,135	66,610
County Treasurer Fee	20,995	2,645	4,500	19,140
County Assessor Visual Inspection	3,469	7,001	3,900	6,570
Community Service Sentencing Program (CSSP)	435	-	-	435
Sheriff DOC	21,649	25,325	24,685	22,289
Sheriff Drug Forfeiture	15	-	-	15
Child Abuse Prevention	3,462	-	-	3,462
Courthouse Restoration Special	120	-	63	57
CENA - Dougherty Senior Citizens Grant - Community Expansion of Nutritional Assistance	5,568	3,160	7,184	1,544
CENA - Hickory Senior Citizens Grant - Community Expansion of Nutritional Assistance	14,585	1,500	384	15,701
Fair Barn Renovation	173	-	-	173
Work Force Center	48,682	26,887	15,092	60,477
Fair Barn	1,350	16,150	17,450	50
Sheriff Community Grant	355	-	-	355
REAP Grant - Joy Fire Department	15,742	-	-	15,742
Sheriff Courthouse Security	74,063	35,515	43,912	65,666
CENA - Oak Grove Senior Citizens Grant - Community Expansion of Nutritional Assistance	10,113	5,785	11,977	3,921
Murray County Nutrition	2,321	-	-	2,321
Cash Highway CBRI	1,375,372	283,916	64,251	1,595,037
Cash Highway Bridge	166,696	-	-	166,696
Wildfire Plan	1,000	-	-	1,000
Cell Tower Rent	7,250	8,896	-	16,146
County Clerk Cash Drawer	25	-	-	25
Murray County Parking Lot	2,441	-	-	2,441
Combined Total - All County Funds	\$ 8,485,672	\$ 7,905,675	\$ 7,285,523	\$ 9,105,824

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

**MURRAY COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 general operations of the government.

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 state statute.

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

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk and disbursements as restricted by state statute to be used for preservation of records.

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

County Treasurer Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements of funds as restricted by state 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 ENDED JUNE 30, 2016**

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 the collections of state held prisoners and disbursements are for the purpose of maintaining the jail.

Sheriff Drug Forfeiture – accounts for drug forfeitures and is used for payments for the purchase of illegal drugs in sting operations and drug enforcement.

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

Courthouse Restoration Special – accounts for grant monies received 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 the senior citizens center.

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

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

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

Fair Barn – accounts for the collection of revenues generated from building rent, booth rental, and other fees and disbursed for the maintenance and payment of the building's utilities.

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

REAP Grant – Joy Fire Department – accounts for grant monies and disbursed for the renovation of the Joy Fire Department.

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

**MURRAY COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

Cell Tower Rent – accounts for funds received from the rental of cell tower and disbursements are for maintenance of the 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 County and county health department parking lot.

MURRAY COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,886,872	\$ 4,886,871	\$ (1)
Less: Prior Year Outstanding Warrants	(40,392)	(40,392)	-
Less: Prior Year Encumbrances	(352,511)	(351,599)	912
Beginning Cash Balances, Budgetary Basis	<u>4,493,969</u>	<u>4,494,880</u>	<u>911</u>
Receipts:			
Ad Valorem Taxes	965,031	1,037,350	72,319
Charges for Services	70,233	61,904	(8,329)
Intergovernmental Revenues	412,294	499,193	86,899
Sales Tax	400,000	1,642,652	1,242,652
Miscellaneous Revenues	9,003	12,203	3,200
Total Receipts, Budgetary Basis	<u>1,856,561</u>	<u>3,253,302</u>	<u>1,396,741</u>
Expenditures:			
District Attorney - County	10,000	9,681	319
County Sheriff	443,723	443,643	80
County Treasurer	175,587	175,582	5
County Commissioners	86,062	86,062	-
County Commissioners OSU Extension	31,653	31,481	172
County Clerk	183,783	183,583	200
Court Clerk	95,782	95,782	-
County Assessor	88,005	87,129	876
Revaluation of Real Property	185,797	183,313	2,484
General Government	63,265	59,240	4,025
Excise Equalization Board	3,600	3,301	299
County Election Board	78,994	69,646	9,348
Insurance - Benefits	593,426	591,753	1,673
Charity	47,583	15,192	32,391
4H Organization	7,465	3,682	3,783
Sheriff Sales Tax	19,678	-	19,678
Treasurer Sales Tax	93,196	7,969	85,227
Civil Defense	24,728	6,761	17,967
Sulphur Chamber of Commerce	4,283	1,259	3,024
Davis Chamber of Commerce	4,231	4,230	1
Sheriff Deputy Reserves	4,981	-	4,981
Enhanced 911	141,829	106,276	35,553
Agriculture Sales Tax	31,870	28,335	3,535
County Clerk Sales Tax	139,063	14,629	124,434
Assessor Sales Tax	148,687	30,856	117,831

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, 2016

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Extension Homemakers Sales Tax	10,612	7,365	3,247
Economic Development Sales Tax	33,848	33,848	-
Court Clerk Sales Tax	150,850	64,298	86,552
EMS Sales Tax	96,896	96,896	-
General Government Sales Tax	595,357	67,965	527,392
Fair Board Sales Tax	69,331	38,701	30,630
Courthouse Renovation Sales Tax	417,986	158,389	259,597
Collection and Disbursement Sales Tax	76,467	5,724	70,743
County Commissioner District 1 Sales Tax	686,490	35,375	651,115
County Commissioner District 2 Sales Tax	361,620	110,000	251,620
County Commissioner District 3 Sales Tax	582,802	1,423	581,379
Senior Citizens Sales Tax	324,623	40,596	284,027
Rural Fire Department Sales Tax	220,131	36,849	183,282
County Audit Budget Account	16,246	16,246	-
Total Expenditures, Budgetary Basis	<u>6,350,530</u>	<u>2,953,060</u>	<u>3,397,470</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	4,795,122	<u>\$ 4,795,122</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		5,132	
Add: Current Year Encumbrances		<u>219,659</u>	
Ending Cash Balance		<u>\$ 5,019,913</u>	

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

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, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 165,322	\$ 165,321	\$ (1)
Less: Prior Year Outstanding Warrants	(638)	(639)	(1)
Less: Prior Year Encumbrances	(14,303)	(13,662)	641
Beginning Cash Balances, Budgetary Basis	150,381	151,020	639
Receipts:			
Ad Valorem Taxes	241,025	259,057	18,032
Charges for Services	3,290	3,291	1
Intergovernmental Revenues	-	799	799
Total Receipts, Budgetary Basis	244,315	263,147	18,832
Expenditures:			
Health and Welfare	394,696	192,383	202,313
Total Expenditures, Budgetary Basis	394,696	192,383	202,313
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	221,784	\$ 221,784
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		26,961	
Add: Current Year Outstanding Warrants		1,402	
Ending Cash Balance		\$ 250,147	

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

**MURRAY COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016. 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,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- 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 2016.

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 2016-2 – Inadequate Internal Controls Over the Collection Process – County Treasurer (Repeat Finding)

Condition: Upon inquiry, observation, review of documentation, and testwork, it was noted that the duties were not adequately segregated in the County Treasurer's office. The same employee that prepares, reviews deposits, and performs bank reconciliations, also issues receipts.

Additionally, the bank reconciliations are not being signed and approved by someone other than the preparer, and all employees work from the same cash drawer.

Cause of Condition: Policies and procedures have not been designed and implemented by the County Treasurer to ensure duties over the collection process are adequately segregated. Further, procedures have not been designed and implemented to maintain documentation supporting review processes over the review of monthly bank reconciliations of all bank accounts.

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 management be aware of this condition and implement internal controls over the collection process. 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 further recommends that the bank reconciliations be reviewed and approved by someone other than the preparer and that all employees have their own cash drawer.

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Management Response:

County Treasurer: We will also begin to have a reviewer sign the completed reconciliations. The new computer system we are installing will only allow the Treasurer to void receipts.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Objective 2: To determine the County's financial operations complied with 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: With respect to the items tested, the County's internal controls do not provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records.

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With respect to the items tested, the County's financial operations complied with 19 O.S. 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

FINDINGS AND RECOMMENDATIONS

Finding 2016-3 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the disbursement process, it was noted that 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.

Cause of Condition: Policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls.

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

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.

Management Response:

County Clerk: We will be more diligent in assuring purchasing procedures in place are followed by all personnel. Encumbrances are now approved by another person.

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 payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated. Also, internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

All Objectives:

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

Finding 2016-5 – 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 to address risks of the County.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

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 to develop a plan to monitor the County's internal controls to ensure that audit findings and other reviews are properly resolved. We will encourage each officer to familiarize themselves with the GAO Standards for Internal Control (Green Book). Then through our officer's meetings we can begin the implementation of the Green Book.

County Clerk, County Treasurer, County Court Clerk, County Sheriff, and County Assessor: We will work with the Board of County Commissioners towards having officer meetings to discuss the Green Book and to take steps to document the components of an internal control structure.

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,

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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.

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, 2016:

- 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, there were no exceptions noted.

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.

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

June 26, 2017



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