

COUNTY AUDIT

# MUSKOGEE COUNTY

For the fiscal year ended June 30, 2010



*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

**MUSKOGEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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

February 29, 2012

TO THE CITIZENS OF  
MUSKOGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Muskogee County, Oklahoma for the fiscal year ended June 30, 2010. 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

**MUSKOGEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**MUSKOGEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

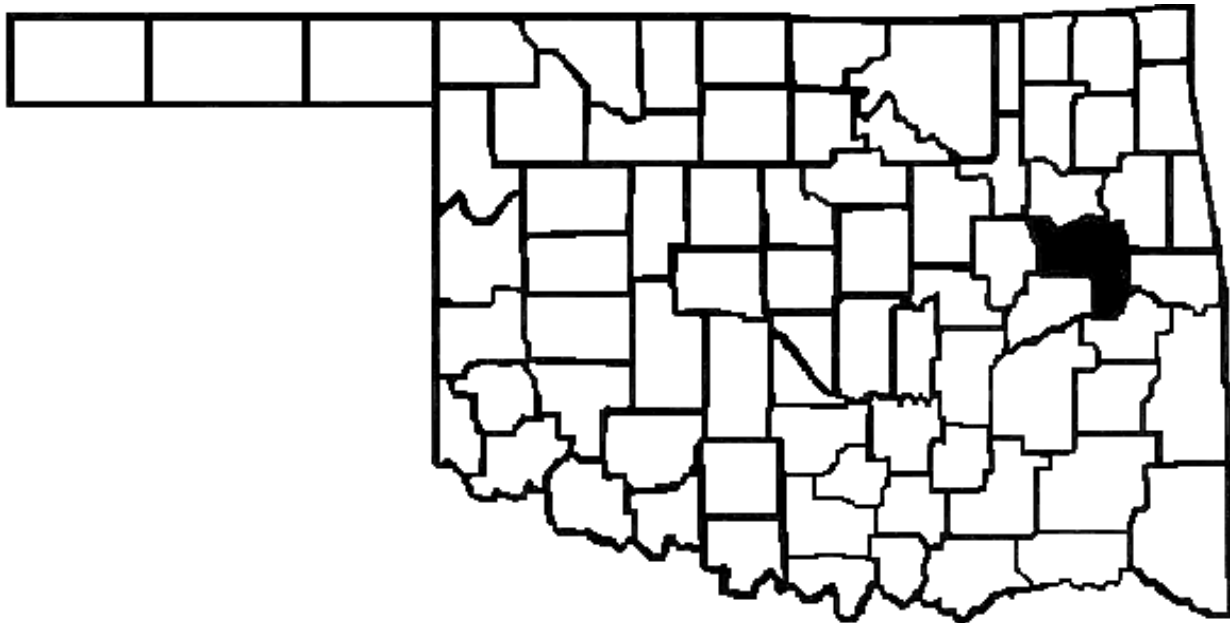
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**REPORT TO THE CITIZENS  
OF  
MUSKOGEE COUNTY, OKLAHOMA**

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Named for the Muskogee Creek Indians, Muskogee County was created at statehood. The city of Muskogee, the county seat, became the focal point for the Five Civilized Tribes when the Union Agency established its headquarters in what is now Honor Heights Park. The old Union Agency Building is now the Five Civilized Tribes Museum and the famous Azalea Festival is held in the park each April. The park is also home to the Garden of Lights in December.

Muskogee County's economy is based primarily on agriculture, but oil, industry, and recreation have also been a part in the building of this county's economics. The city of Muskogee itself is within 30 minutes of five major lakes.

*Historical Allies* is a history book about Muskogee County and was written by John W. Morris and Edwin C. McReynolds. The Muskogee County Historical Society offers more information about the area, and a state tourist information center is located in Muskogee. For more information, call the county clerk's office at 918/682-2169.

County Seat – Muskogee

Area – 838.99 Square Miles

County Population – 71,116  
(2007 est.)

Farms – 1,845

Land in Farms – 374,372 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**MUSKOGEE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**COUNTY ASSESSOR**  
Dan Ashwood

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

**COUNTY CLERK**  
Karen Anderson

The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

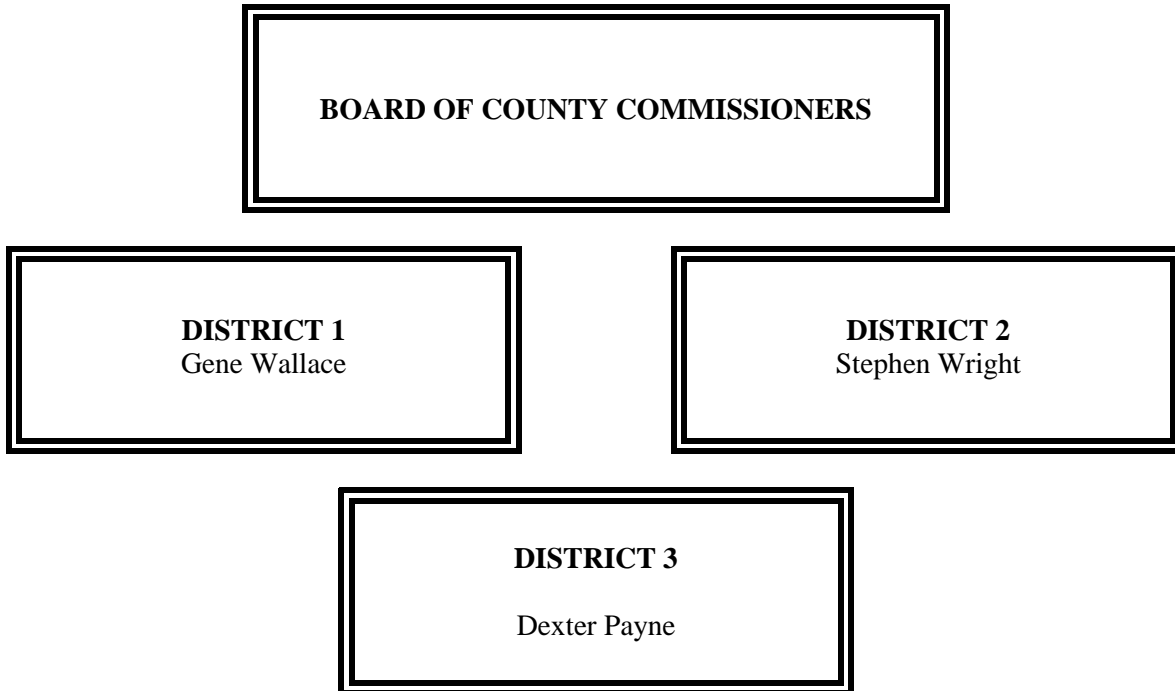
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**MUSKOGEE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.



**MUSKOGEE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**COUNTY SHERIFF**  
Charles Pearson

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

**COUNTY TREASURER**  
Glen Scott

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**MUSKOGEE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**COURT CLERK**  
Paula Sexton

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

**DISTRICT ATTORNEY**  
Larry D. Moore

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**MUSKOGEE COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**ELECTION BOARD SECRETARY**  
William Bull

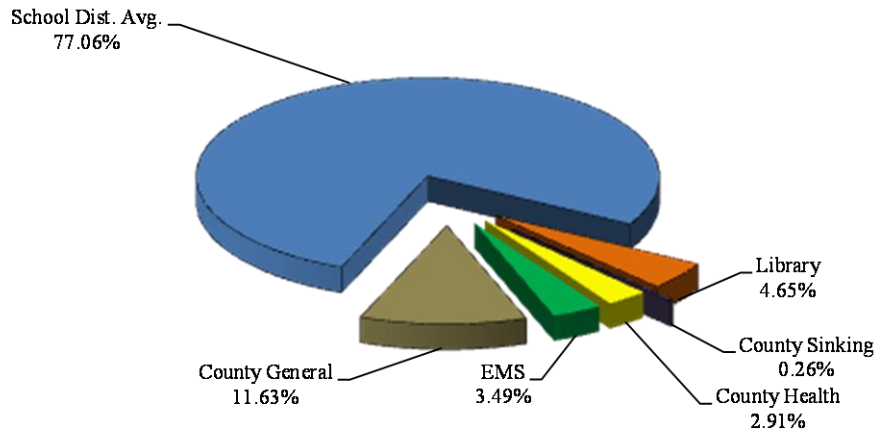
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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<br>Tech | Common | Total |
| County General       | 10.13 |                          |       |       |       |       |                |        |       |
| County Health        | 2.53  | Haskell                  | 2     | 35.98 | 5.14  | 20.52 | 10.13          | 4.05   | 75.82 |
| EMS                  | 3.04  | Fort Gibson              | 3     | 35.16 | 5.02  | 12.69 | 10.13          | 4.05   | 67.05 |
| Library              | 4.05  | Boynton                  | 4     | 36.31 | 5.19  | 16.21 | 10.13          | 4.05   | 71.89 |
| County Sinking       | 0.23  | Webber Falls             | 6     | 36.09 | 5.16  | 27.32 | 10.13          | 4.05   | 82.75 |
|                      |       | Oktaha                   | 8     | 36.68 | 5.24  | 22.06 | 10.13          | 4.05   | 78.16 |
|                      |       | Wainwright               | 9     | 37    | 5.29  |       | 10.13          | 4.05   | 56.47 |
|                      |       | Muskogee                 | 20    | 35.4  | 5.06  | 16.61 | 10.13          | 4.05   | 71.25 |
|                      |       | Hilldale                 | 29    | 35.73 | 5.10  |       | 10.13          | 4.05   | 55.01 |
|                      |       | Braggs                   | 46    | 35.57 | 5.08  |       | 10.13          | 4.05   | 54.83 |
|                      |       | Warner                   | 74    | 35.93 | 5.13  | 10.03 | 10.13          | 4.05   | 65.27 |
|                      |       | Porum                    | 88    | 36.16 | 5.17  | 21.67 | 10.13          | 4.05   | 77.18 |
|                      |       | Sequoyah                 | J-6B  | 35.29 | 5.04  |       | 10.13          | 4.05   | 54.51 |
|                      |       | McIntosh                 | J-19B | 36.66 | 5.24  | 8.18  | 10.13          | 4.05   | 64.26 |
|                      |       | McIntosh                 | J-27  | 35.84 | 5.12  | 9.74  | 10.13          | 4.05   | 64.88 |

See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

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|   |                |                       |
|---|----------------|-----------------------|
| Total net assessed value as of<br>January 1, 2009 |                | <u>\$ 455,253,575</u> |
| Debt limit - 5% of total assessed value           |                | 22,762,679            |
| Total bonds outstanding                           | 10,668,000     |                       |
| Total judgments outstanding                       | -              |                       |
| Less cash in sinking fund                         | <u>127,215</u> | <u>10,540,785</u>     |
| Legal debt margin                                 |                | <u>\$ 12,221,894</u>  |

See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

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|   | 2010           |
|---|----------------|
| Estimated population                          | 71,116         |
| Net assessed value as of<br>January 1, 2009   | \$ 455,253,575 |
| Gross bonded debt                             | 10,668,000     |
| Less available sinking fund<br>cash balance   | 127,215        |
| Net bonded debt                               | \$ 10,540,785  |
| Ratio of net bonded debt<br>to assessed value | 2.32%          |
| Net bonded debt per capita                    | \$ 148         |

See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

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| <u>Valuation<br/>Date</u> | <u>Personal</u> | <u>Public<br/>Service</u> | <u>Real<br/>Estate</u> | <u>Homestead<br/>Exemption</u> | <u>Net Value</u> | <u>Estimated<br/>Fair Market<br/>Value</u> |
|---------------------------|-----------------|---------------------------|------------------------|--------------------------------|------------------|--|
| 1/1/2009                  | \$ 102,269,240  | \$ 117,685,623            | \$ 254,189,885         | \$ 18,891,173                  | \$ 455,253,575   | \$ 4,138,668,864                           |

See independent auditor's report.

**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  
MUSKOGEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Muskogee County's management. Our responsibility is to express an opinion on this 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Muskogee County as of June 30, 2010, or changes in its financial position for the year then ended.

We were unable to obtain sufficient audit evidence to corroborate management's assertion about pending litigation.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding pending litigation, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Muskogee County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2012, on our consideration of Muskogee 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, 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 basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

February 6, 2012

## **Basic Financial Statement**

**MUSKOGEE COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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|   | Beginning<br>Cash Balances<br>July 1, 2009 | Receipts<br>Apportioned | Disbursements        | Ending<br>Cash Balances<br>June 30, 2010 |
|---|--|-------------------------|----------------------|--|
| Combining Information:  |  |                         |                      |  |
| County General Fund   | \$ 2,837,433                               | \$ 5,798,907            | \$ 5,867,640         | \$ 2,768,700                             |
| Highway Cash  | 3,622,755                                  | 3,554,900               | 5,249,215            | 1,928,440                                |
| County Health   | 857,559                                    | 1,546,890               | 1,256,490            | 1,147,959                                |
| Resale Property   | 987,415                                    | 422,160                 | 226,687              | 1,182,888                                |
| County Sinking Fund   | 59,113                                     | 116,942                 | 48,840               | 127,215                                  |
| Sheriff Revolving Reward Fund                                 | 754  | 354                     | 529                  | 579                                      |
| Muskogee City County Detention Grant 2 (MCCD)                 | 71   |                         |                      | 71                                       |
| County Clerk Lien Cash Fund                                   | 71,194                                     | 37,488                  | 45,291               | 63,391                                   |
| Sheriff Service Fee Cash Fund                                 | 79,026                                     | 535,156                 | 534,416              | 79,766                                   |
| Treasurer Mortgage Certification Fee Fund                     | 39,901                                     | 11,810                  | 5,682                | 46,029                                   |
| Muskogee City County Detention-Sheriff's Dept. (MCCD-SD)      | 279,028                                    | 1,781,179               | 1,876,101            | 184,106                                  |
| Sheriff Patrol Cash Fund                                      | 2,581                                      | 24,950                  | 887                  | 26,644                                   |
| Assessor Visual Inspection and County Assessor Revolving Fund | 50,760                                     | 7,026                   | 20,844               | 36,942                                   |
| Sheriff Comissionary Fund                                     | 19,900                                     | 50,959                  | 63,680               | 7,179                                    |
| County Clerk Records Management Preservation                  | 48,693                                     | 70,681                  | 69,835               | 49,539                                   |
| Sheriff Drug Forfeiture                                       | 4,475                                      | 4,355                   | 8,755                | 75                                       |
| Sheriff Training  | 29   |                         |                      | 29                                       |
| Local Law Enforcement Grant - 1 (LLEG)                        | 719  |                         |                      | 719                                      |
| Project for Safe Neighborhoods Grant                          | 29   |                         |                      | 29                                       |
| Homeland Security Grants 1 & 2                                | 115  |                         |                      | 115                                      |
| Sheriff COPS Grant  | 119  |                         |                      | 119                                      |
| Justice Assistance Grant (JAG)                                | 8,494                                      | 76,913                  | 85,399               | 8  |
| County Use Tax  | 409,334                                    | 271,496                 |                      | 680,830                                  |
| County Sales Tax  | 2,957,189                                  | 3,932,749               | 2,515,961            | 4,373,977                                |
| Muskogee County K-9   | 434  | 2,032                   |                      | 2,466                                    |
| <b>Combined Total-All County Funds</b>                        | <b>\$ 12,337,120</b>                       | <b>\$ 18,246,947</b>    | <b>\$ 17,876,252</b> | <b>\$ 12,707,815</b>                     |

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

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Muskogee County, Oklahoma. The financial statement referred to includes only the primary government of Muskogee County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

**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 funds included as supplementary information within the financial statement:

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

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the county health department.

Resale Property – revenues are from interest and penalties on ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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County Sinking Fund – accounts for the payments of interest and principal on long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments on cash not immediately required for debt service payments.

Sheriff Revolving Reward Fund – revenues are from trash fines and restitution. Disbursements are for the maintenance of trash trucks and landfill fees.

Muskogee City County Detention Grant 2 (MCCD) – accounts for COPS grant monies received and disbursed for payroll of a school resource officer.

County Clerk Lien Cash Fund – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's Office.

Sheriff Service Fee Cash Fund – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Treasurer Mortgage Certification Fee Fund – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

Muskogee City County Detention – Sheriff's Department (MCCD-SD) – is the Muskogee County Detention Fund. The main revenue source for this fund is monies that Muskogee County is paid for housing prisoners for many different entities. Disbursements are for anything related to the operations of the Sheriff's Department.

Sheriff Patrol Cash Fund – revenues are from donations for reserve officers. Disbursements are for reserve officer needs.

Assessor Visual Inspection and County Assessor Revolving Fund – revenues are from fees collected by the County Assessor, including those charged to all entities receiving ad valorem taxes. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office and from the revaluation of all county property for collection of ad valorem taxes.

Sheriff Commissary Fund – accounts for monies collected from prisoners and used as a checking account for the prisoners to make purchases during their incarceration.

County Clerk Records Management Preservation – revenues are from a fee charged by the Clerk for recording instruments and interest earned on invested funds. Disbursements are for the maintenance and preservation of public records.

Sheriff Drug Forfeiture – revenue is from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Sheriff Training – revenues are from the sale of properties forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Local Law Enforcement Grant - 1 (LLEG) – revenues are from a federal grant. Disbursements are for supplemental deputies.

Project for Safe Neighborhoods Grant – accounts for grant monies received and disbursed to support existing programs in law enforcement targeted at gun violence and drug abuse.

Homeland Security Grants 1 & 2 – revenues are from a federal grant. Disbursements are for additional patrols by the Sheriff's office.

Sheriff COPS Grant – revenues are from a federal grant. Disbursements are for payroll of sheriff's officers.

Justice Assistance Grant (JAG) – revenues are from a federal grant. Disbursements are for sheriff patrol cars.

County Use Tax – revenues are from the Oklahoma Tax Commission. Disbursements are at the discrepancy of the County Commissioners.

County Sales Tax – revenues are from sales tax. Disbursements are for jail operations.

Muskogee County K-9 – revenues are strictly donations from individual citizens. Disbursements are for canine services.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, county library, cities and towns, and school districts. 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.

**C. Basis of Accounting**

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

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).

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments



**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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.

**G. Compensated Absences**

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years up to 10 years earn 10 days per year. Employees with service years exceeding 10 years earn 15 days per year. Vacation leave is accrued monthly. Vacation leave is paid upon termination.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

**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."

The assessed property value as of January 1, 2009, was approximately \$455,253,575.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.13 mills (the legal maximum) for general fund operations, 2.53 mills for county health department, 3.04 mills for emergency medical service, 4.05 mills for county library, and 0.23 mills for county sinking. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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.

Current year tax collections for the year ended June 30, 2010, were approximately 93 percent of the tax levy.

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**3. Fuel Tax**

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.

**4. Risk Management**

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

OPEH&WP - The County has entered into an inter-local agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**5. Long-term Obligations**

**Capital Leases**

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

**6. 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,

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 10.5% and 15.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2010, 2009, and 2008, were \$978,191, \$840,514, and \$725,000, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

**7. 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.

**8. 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.

The County is a defendant in various lawsuits. Although the outcome of any lawsuit is not presently determinable, in management's opinion, the resolution of any matters would not have a material adverse effect on the financial condition of the County.

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**9. General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the issue date.

The following table presents the general obligation bonds at June 30, 2010, and changes for the fiscal year then ended are as follows (expressed in thousands):

|                                      | <b>Issue<br/>Date</b> | <b>Interest<br/>Rates</b> | <b>Maturity<br/>Through</b> | <b>Beginning<br/>Balance</b> | <b>Reductions</b>   | <b>Ending<br/>Balance</b> |
|--------------------------------------|-----------------------|---------------------------|-----------------------------|------------------------------|---------------------|---------------------------|
| County Lmtd Tax Bonds 1995, Series A | 12/1/1995             | 7.4%-7.7%                 | 12/1/2010                   | \$ 50,000                    | \$ 25,000           | \$ 25,000                 |
| County Lmtd Tax Bonds 1996, Series B | 7/1/1996              | 6.25%-6.75%               | 7/1/2011                    | 90,000                       | 70,000              | 20,000                    |
| County Lmtd Tax Bonds 1997, Series A | 3/1/1997              | 7.75%                     | 3/1/2012                    | 80,000                       | 20,000              | 60,000                    |
| County Lmtd Tax Bonds 1997, Series B | 7/1/1997              | 5.45%-6%                  | 7/1/2016                    | 1,380,000                    | 170,000             | 1,210,000                 |
| County Lmtd Tax Bonds 1998, Series A | 7/1/1998              | 7.00%                     | 7/1/2012                    | 100,000                      | 25,000              | 75,000                    |
| County Lmtd Tax Bonds 1999, Series A | 4/1/1999              | 5.225-5.250%              | 4/1/2019                    | 780,000                      | 80,000              | 700,000                   |
| County Lmtd Tax Bonds 1999, Series C | 9/1/1999              | 8.4%-9%                   | 9/1/2014                    | 150,000                      | 25,000              | 125,000                   |
| County Lmtd Tax Bonds 1999, Series D | 11/1/1999             | 5.9%-6.750%               | 11/1/2014                   | 230,000                      | 40,000              | 190,000                   |
| County Lmtd Tax Bonds 1999, Series E | 12/1/1999             | 6.450%-7%                 | 12/1/2020                   | 585,000                      | 45,000              | 540,000                   |
| County Lmtd Tax Bonds 2000, Series A | 8/1/2000              | 7%-12%                    | 8/1/2015                    | 255,000                      | 35,000              | 220,000                   |
| County Lmtd Tax Bonds 2000, Series B | 9/1/2000              | 5.9%-7.5%                 | 9/1/2020                    | 1,265,000                    | 105,000             | 1,160,000                 |
| County Lmtd Tax Bonds 2000, Series C | 12/1/2000             | 6.00%                     | 12/1/2015                   | 288,000                      | 40,000              | 248,000                   |
| County Lmtd Tax Bonds 2001, Series A | 11/1/2001             | 5%-8%                     | 11/1/2016                   | 450,000                      | 50,000              | 400,000                   |
| County Lmtd Tax Bonds 2004, Series A | 1/1/2004              | 7.00%                     | 1/1/2024                    | 2,760,000                    | 185,000             | 2,575,000                 |
| County Lmtd Tax Bonds 2004, Series B | 1/1/2004              | 6.4%-7.6%                 | 7/1/2019                    | 1,360,000                    | 135,000             | 1,225,000                 |
| County Lmtd Tax Bonds 2004, Series C | 7/1/2004              | 4.7%-6%                   | 7/1/2019                    | 280,000                      | 30,000              | 250,000                   |
| County Lmtd Tax Bonds 2005, Series A | 10/1/2005             | 4.15%-6%                  | 10/1/2020                   | 845,000                      | 70,000              | 775,000                   |
| County Lmtd Tax Bonds 2006, Series A | 7/1/2006              | 4.5%-6%                   | 7/1/2021                    | 480,000                      | 40,000              | 440,000                   |
| County Lmtd Tax Bonds 2009, GO Bldg  | 4/1/2009              | 4%-6.75%                  | 4/1/2035                    | 430,000                      |                     | 430,000                   |
| <b>Total</b>                         |                       |                           |                             | <b>\$ 11,858,000</b>         | <b>\$ 1,190,000</b> | <b>\$ 10,668,000</b>      |

Annual debt service requirements to maturity for general obligation bonds, including interest, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Interest</u>   | <u>Principal</u>     | <u>Total</u>         |
|------------------------------------|-------------------|----------------------|----------------------|
| 2011                               | \$ 45,130         | \$ 775,000           | \$ 820,130           |
| 2012                               | 74,785            | 1,180,000            | \$ 1,254,785         |
| 2013                               | 37,362            | 635,000              | \$ 672,362           |
| 2014                               | 51,060            | 805,000              | \$ 856,060           |
| 2015                               | 52,380            | 780,000              | \$ 832,380           |
| 2016-2024                          | 395,640           | 6,493,000            | \$ 6,888,640         |
| Total                              | <u>\$ 656,357</u> | <u>\$ 10,668,000</u> | <u>\$ 11,324,357</u> |

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Payment of the principal and interest is made by the recipient of the proceeds (private manufacturing companies). To date, the County has not had to levy for any bond or interest payment. Bond proceeds and payments are administered by the Muskogee County Industrial Authority.

**10. Sales Tax**

On November 8, 2005, Muskogee County voters approved an excise tax of fifteen hundredths of one percent (.0015). The revenue from the sales tax is for the purpose of providing funds for the fire departments of Muskogee County, including, but not limited to: purchase of equipment, general operation and maintenance, training, construction of new buildings or improvements to existing buildings, and payment of existing or future loans.

Five percent (5%) of the fifteen hundredths percent (.0015) is designated for a newly formed Board with one member elected and representing each of the following Muskogee County fire departments: Muskogee, Boynton, Braggs, Brushy Mountain, Buckhorn, Council Hill, Fort Gibson, Gooseneck Bend, Haskell, Keefeton, Mountain View, Oktaha, Summit, Taft, Wainwright, Warner, Webber Falls, and Porum. The Board is to use the funds as deemed necessary for the improvement and enhancement of operations of the emergency response capabilities of the above-listed fire departments.

Ninety five percent (95%) of the fifteen hundredths percent (.0015) shall be divided equally between the above-mentioned eighteen (18) fire departments to construct new fire stations or improve existing fire stations, purchase equipment and defray training and fire education costs, purchase firefighting and other emergency response vehicles and equipment and for the general maintenance and operations, with the exception of salaries and wages, for which the tax proceeds are not intended.

On July 10, 2007, Muskogee County voters approved an excise tax for Muskogee County on all goods and products authorized by law, in the amount of one half of one cent on the dollar (\$.0005). The tax is to commence January 1, 2008, and to terminate December 31, 2018. The revenue from the sales tax is for the purpose of improving county services as follows: 50% of the monies to go to the county roads and bridges, 50% of the monies to go to Homeland Security, court house security, and county law enforcement.

**11. Judgment**

The County was assessed a levy of .23 mill and payments of \$48,840 were made due to the default of the Bond Series 2000-C.

**OTHER SUPPLEMENTARY INFORMATION**

**MUSKOGEE 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, 2010**

|  | General Fund     |                  |                |
|--|------------------|------------------|----------------|
|  | Final<br>Budget  | Actual           | Variance       |
| Beginning Cash Balances                  | \$ 2,837,433     | \$ 2,837,433     | \$ -           |
| Less: Prior Year Outstanding Warrants    | (319,335)        | (317,743)        | 1,592          |
| Less: Prior Year Encumbrances            | (104,232)        | (70,006)         | 34,226         |
| Beginning Cash Balances, Budgetary Basis | <u>2,413,866</u> | <u>2,449,684</u> | <u>35,818</u>  |
| Receipts:                                |                  |                  |                |
| Ad Valorem Taxes                         | 4,192,472        | 4,441,137        | 248,665        |
| Charges for Services                     | 219,101          | 230,150          | 11,049         |
| Intergovernmental Revenues               | 685,109          | 881,312          | 196,203        |
| Miscellaneous Revenues                   | 296,138          | 246,308          | (49,830)       |
| Total Receipts, Budgetary Basis          | <u>5,392,820</u> | <u>5,798,907</u> | <u>406,087</u> |
| Expenditures:                            |                  |                  |                |
| District Attorney                        | 11,932           | 11,932           |                |
| County Sheriff                           | 322,418          | 320,953          | 1,465          |
| County Treasurer                         | 238,500          | 220,557          | 17,943         |
| County Commissioner                      | 289,968          | 230,219          | 59,749         |
| OSU Extension                            | 108,853          | 108,850          | 3              |
| County Clerk                             | 333,000          | 332,733          | 267            |
| Court Clerk                              | 245,080          | 237,532          | 7,548          |
| County Assessor                          | 279,019          | 267,706          | 11,313         |
| Revaluation of Real Property             | 280,565          | 254,236          | 26,329         |
| District Court                           | 26,400           | 25,650           | 750            |
| General Government                       | 3,592,540        | 2,932,100        | 660,440        |
| Excise-Equalization Board                | 13,200           | 10,573           | 2,627          |
| County Election Board                    | 187,638          | 174,483          | 13,155         |
| County Purchasing Agent                  | 160,908          | 160,703          | 205            |
| Charity                                  | 45,200           | 45,000           | 200            |
| County Engineer: Flood Plain             | 7,800            | 1,604            | 6,196          |
| County Cemetery Budget                   | 109,278          | 97,790           | 11,488         |
| Total Soil Conservation District         | 1,555            | 1,313            | 242            |

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**MUSKOGEE 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, 2010**

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continued from previous page

|   | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance</u>     |
|---|-------------------------|---------------------|---------------------|
| Total County Jail   | 199,868                 | 199,688             | 180                 |
| School Record Clerk   | 5,600                   | 5,600               |                     |
| Sales Tax Revolving   | 720,146                 | 17,175              | 702,971             |
| Sales Tax MCCDF   | 33,527                  | 5,270               | 28,257              |
| Sales Tax Renovation  | 216,966                 |                     | 216,966             |
| Highway Budget Account  | 330,000                 | 312,278             | 17,722              |
| County Audit Budget Account   | 45,525                  | 45,525              |                     |
| Free Fair Budget Account  | 1,200                   | 1,200               |                     |
| Total Expenditures, Budgetary Basis   | <u>7,806,686</u>        | <u>6,020,670</u>    | <u>1,786,016</u>    |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures, Budgetary<br>Basis | <u>\$ -</u>             | 2,227,921           | <u>\$ 2,227,921</u> |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                         |                     |                     |
| Add: Current Year Encumbrances  |                         | 76,825              |                     |
| Add: Current Year Outstanding Warrants  |                         | 463,954             |                     |
| Ending Cash Balance   |                         | <u>\$ 2,768,700</u> |                     |

The accompanying notes to the other supplementary information are an integral part of this schedule.  
 See independent auditor's report.



**MUSKOGEE 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, 2010**

|   | County Health Department Fund |                     |                   |
|---|-------------------------------|---------------------|-------------------|
|   | Final                         |                     |                   |
|   | Budget                        | Actual              | Variance          |
| Beginning Cash Balances   | \$ 857,559                    | \$ 857,559          | \$ -              |
| Less: Prior Year Outstanding Warrants   | (157,399)                     | (156,806)           | 595               |
| Less: Prior Year Encumbrances   | (150)                         | (150)               |                   |
| Beginning Cash Balances, Budgetary Basis  | <u>700,010</u>                | <u>700,603</u>      | <u>593</u>        |
| Receipts:   |                               |                     |                   |
| Ad Valorem Taxes  | 1,047,083                     | 1,109,189           | 62,106            |
| Charges for Services  | 365,830                       | 321,401             | (44,429)          |
| Miscellaneous Revenues  |                               | 1,257               | 1,257             |
| Intergovernmental Revenues  |                               | 115,043             | 115,043           |
| Total Receipts, Budgetary Basis   | <u>1,412,913</u>              | <u>1,546,890</u>    | <u>133,977</u>    |
| Expenditures:   |                               |                     |                   |
| Health and Welfare  | <u>2,112,923</u>              | <u>1,277,309</u>    | <u>835,614</u>    |
| Total Expenditures, Budgetary Basis   | <u>2,112,923</u>              | <u>1,277,309</u>    | <u>835,614</u>    |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures,<br>Budgetary Basis | <u>\$ -</u>                   | <u>\$ 970,184</u>   | <u>\$ 970,184</u> |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                               |                     |                   |
| Add: Current Year Outstanding Warrants  |                               | <u>177,775</u>      |                   |
| Ending Cash Balance   |                               | <u>\$ 1,147,959</u> |                   |

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA**  
**DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BALANCES—SINKING FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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|                        |                          |
|------------------------|--------------------------|
| Beginning Cash Balance | <u>\$ 59,113</u>         |
| Receipts:              |                          |
| Ad Valorem             | 99,287                   |
| Miscellaneous Receipts | <u>17,655</u>            |
| Total Receipts         | <u>116,942</u>           |
| Disbursements:         |                          |
| Coupons                | 8,840                    |
| Bonds                  | <u>40,000</u>            |
| Total Disbursements    | <u>48,840</u>            |
| Ending Cash Balance    | <u><u>\$ 127,215</u></u> |

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**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. Sinking Fund Schedule**

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| Federal Grantor/Pass Through<br>Grantor/Program Title                                      | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Federal<br>Expenditures |
|--|---------------------------|-------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                                    |                           |                                     |                         |
| Passed Through State Department of Commerce:   |                           |                                     |                         |
| Community Development Block Grants/State's program and<br>Non-Entitlement Grants in Hawaii | 14.228                    | CDBG 08                             | \$ 12,000               |
| Total U.S. Department of Housing and Urban Development                                     |                           |                                     | <u>12,000</u>           |
| <b>U.S. DEPARTMENT OF JUSTICE</b>  |                           |                                     |                         |
| Passed Through Office of State Treasurer:  |                           |                                     |                         |
| Bulletproof Vest Partnership Program   | 16.607                    |                                     | 20,561                  |
| Edward Byrne Memorial Justice Assistance Grant Program (JAG)                               | 16.738                    | JAG                                 | 44,670                  |
| Total U.S. Department of Justice   |                           |                                     | <u>65,231</u>           |
| <b>U.S. DEPARTMENT OF DEFENSE</b>  |                           |                                     |                         |
| Passed Through Office of State Treasurer:  |                           |                                     |                         |
| Flood Control Projects   | 12.106                    | Flood Control                       | 35,170                  |
| Total U.S. Department of Defense   |                           |                                     | <u>35,170</u>           |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>  |                           |                                     |                         |
| Passed Through Oklahoma Department of Emergency Management:                                |                           |                                     |                         |
| Emergency Management Performance Grants (EMPG)   | 97.042                    | EMPG                                | 3,300                   |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)                    | 97.036                    | DR 1883                             | 19,135                  |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)                    | 97.036                    | DR 1876                             | 551,349                 |
| Total CFDA 97.036  |                           |                                     | <u>570,484</u>          |
| Total U.S. Department of Homeland Security   |                           |                                     | <u>573,784</u>          |
| <b>Total Expenditures of Federal Awards</b>  |                           |                                     | <u>\$ 686,185</u>       |

The accompanying note is an integral part of this schedule.  
See independent auditor's report.

**MUSKOGEE COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Muskogee County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

See independent auditor's report.

**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

## **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  
MUSKOGEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Muskogee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 6, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Except for a scope limitation on the gathering of corroborating evidence relating to management's assertions about pending litigation, 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muskogee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Muskogee County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting. 2010-2

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2010-1, 2010-3, 2010-4, 2010-8, 2010-9, 2010-16, 2010-17, 2010-23, and 2010-24

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee County's financial statement is free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-5.

We noted certain matters that we reported to the management of Muskogee County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Muskogee County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Muskogee County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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.

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

February 6, 2012





# 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 Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

TO THE OFFICERS OF  
MUSKOGEE COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Muskogee County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Muskogee County's major federal program for the year ended June 30, 2010. Muskogee County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Muskogee County's management. Our responsibility is to express an opinion on Muskogee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muskogee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Muskogee County's compliance with those requirements.

In our opinion, Muskogee County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

### Internal Control Over Compliance

Management of Muskogee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Muskogee County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular

A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Muskogee County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-19 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as items 2010-20 and 2010-22 to be significant deficiencies.

Muskogee County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Muskogee County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than the specified parties. 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.

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

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

February 6, 2012

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; qualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Type of auditor's report issued on  
compliance for major programs: ..... Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

CFDA Number(s)  
97.036

Name of Federal Program or Cluster  
Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$300,000

Auditee qualified as low-risk auditee?..... No

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**SECTION 2—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***

**Finding 2010-1 - Disaster Recovery Plans and In-Activity of Computers (Repeat Finding)**

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

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management), information services function management should ensure that all users (internal, external and temporary) and their activity on IT systems (business application, IT environment, system operations, development and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Condition: The County Treasurer does not have a written Disaster Recovery Plan. Computers in the Treasurer's Office are password protected, but they do not require users to change passwords after a given period of time.

Effect: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. By not locking computers after periods of inactivity, exposes computers to unauthorized access, and increases the opportunities for misuse of county assets.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan which is stored offsite to ensure the safekeeping and integrity of the County's data. OSAI further recommends that computers are set to require a password to sign into after a period of inactivity.

Management Response:

**Gene Wallace – Chairman, Board of County Commissioners**

The County Treasurer is contacting other governmental sources as to plans we will implement as soon as possible to create our Disaster plan and all offices are committed to policy implementation of password protection and schedule changes due to inactivity.

**Kelly Garrett – Muskogee County Treasurer**

We have taken steps to have a Disaster Recovery Plan in writing for the Treasurer's Office and will be filed with the County Clerk upon completion. Security procedures are now in place to force all passwords to be changed quarterly. Also, all persons have been told to log out of all programs when leaving for more than 15 minutes.

**Finding 2010-2 – Financial Statements and Footnote Disclosures (Repeat Finding)**

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Condition: Internal controls have not been developed to prevent or detect misstatements in timely manner or to ensure all required disclosures are presented with the financial statement.

Effect: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of financial statements.
- Contract an outside firm or individual to review or prepare the financial statements and accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Management Response:

**Gene Wallace – Chairman, Board of County Commissioners**

Our County has contacted outside consultants as to training for employees and officials to understand structure of financial statement

**Finding 2010-3 – Bank Reconciliations (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, bank reconciliations should be performed monthly and approved by someone other than the preparer.

Condition: Based on the test work performed, it appears that bank reconciliations are not approved by someone other than the preparer.

Effect: This condition could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends that bank reconciliations are performed monthly for all accounts and that the Treasurer ensure all bank reconciliations are approved by someone other than the preparer and include an indication of review.

Management Response:

**Kelly Garrett – Muskogee County Treasurer**

Reconciliation of our general account is done on a daily basis with the approval of the County Treasurer. All other accounts are reconciled on a monthly basis and will now be approved by the Treasurer.

**Finding 2010-4 – Bank Account not on General Ledger (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all banks identified with the County's tax identification number should be included on the general ledger.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Title 19 O.S. § 642 states in part:

The county treasurer shall keep a cash book, in which he shall enter an account of all money by him received...

Condition: One bank account in the County's name and tax identification number (Solid Waste Committee) was not on the Treasurer's general ledger.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that bank accounts in the County's name, identified with the County's tax identification number be included on the general ledger. Should accounts not be the County's fund, then the County's tax identification needs to be removed from the account.

Management Response:

**Kelly Garrett – Muskogee County Treasurer**

The one bank account not on the General Ledger is not our money; however, we will remove the federal tax id. number.

**Finding 2010-5 – Investment Resolution and Investment Policy (Repeat Finding)**

Criteria: Title 62 O.S. § 348.1 states in part:

Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer...

Title 62 O.S. § 121 states in part:

The county treasurer of each county shall deposit daily,... in one (1) or more banks located in the county and designated by the board of county commissioners as county depositories.

Condition: A list of depository banks was not prepared by the Treasurer's office for approval by the County Commissioners. Also, a written investment policy was not approved by the Board of County Commissioners.

Effect: This condition is a violation of state statutes. Also, the County Commissioners may be unaware of the banks and the investments the County Treasurer is using for the deposit of county funds.

Recommendation: OSAI recommends the County Treasurer prepare and submit to the Board of County Commissioners for approval, a list of depository banks and a proposed investment policy. This should be done annually in accordance with state statutes.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Management Response:

**Kelly Garrett – Muskogee County Treasurer**

A list of Depositories was missed for the year in question. This has since been addressed. An Investment Policy for the County is now on file.

**Finding 2010-8 – Purchasing (Repeat Finding)**

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipts of supplies, material, and equipment for maintenance, operation and capital expenditures of county government.

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the County should have a travel policy in place which provides rules and guidelines for officials to follow.

Title 19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Title 19 O.S. § 1505.C.3 states in part:

Part E provides for the procedure for the receipt items.

Title 19 O.S. § 1505.E.9 states in part:

The invoice shall state the name and address of the vendor and must be sufficiently itemized...

Title 19 O.S. § 1505.E.10 states:

Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report, and e. delivery document.

Title 19 O.S. § 339.A.20 states in part:

The county commissioners shall have power: To establish by resolution the use of per diem for specific purposes in accordance with the limitations provided by Sections 500.8 and 500.9 of Title 74 of the Oklahoma Statutes;...



**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Title 19 O.S. § 163 states:

Each county officer or his deputy shall be entitled to reimbursement for all traveling expenses incurred in the performance of official duties. All expenses shall be paid upon sworn itemized claims.

Condition: The test of 15 purchase orders revealed the following exceptions:

- Maid service tips were charged to the County on a travel claim in seven (7) instances.
- The purchase of Anti-Virus software was included on travel claim in one (1) instance.
- Meals, food, and beverage items were not itemized in five (5) instances.
- The original sales receipts for purchases claimed were not itemized in four (4) instances.
- There was not any supporting documentation to support the claim in two (2) instances.
- There was not any supporting documentation to support food and beverage room service charges in four (4) instances.
- The final invoice for a hotel charge was not documented to show the claim in one (1) instance.
- Sworn itemized travel claims were not used in five (5) instances.

Effect: The County is not following internal control and purchasing procedures and has not implemented a travel policy for the County, which could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends management follow established purchasing procedures. OSAI further recommends that a county-wide travel policy be developed and implemented, which provides rules and guidelines for officials to follow.

Management Response:

**Dianna Cope – Muskogee County Clerk**

These findings with travel procedures not following purchasing procedures (maid tips, non-itemized meals for food and beverage, no documentation to support food and beverage on room charges) were by the former County Clerk. She retired on September 30, 2011.

The anti-virus software included on a travel claim was also made by the former County Clerk.

**Finding 2010-9 – Signature Stamps (Repeat Finding)**

Criteria: Title 62 O.S. § 602 states:

Any authorized officer, after filing with the Secretary of State his manual signature certified by him under oath, may execute or cause to be executed with a facsimile signature in lieu of his manual signature any public security, or any certificate thereon or thereto.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Upon compliance with this act by the authorized officer, his facsimile signature has the same legal effect as his manual signature.

Condition: During our inquiry, it was found where three signature stamps, two county officials and one appropriations clerk, were not registered with the Oklahoma Secretary of State. These signature stamps are used when signing warrants.

Effect: The County is not following the state statute in which all signature stamps must be filed with the Secretary of State and thus causing signature stamps to, in effect, not be legally binding.

Recommendation: OSAI recommends all signature stamps be filed with the Oklahoma Secretary of State and to keep an accurate accounting of registered stamps at all times.

Management Response:

**Stephen Wright – Muskogee County Commissioner, District 2**

County Commissioner Stephen Wright of Muskogee District 2 was not in office at that time. Since then problem has been corrected.

**Kelly Garrett – Muskogee County Treasurer**

This issue has been addressed.

**Dianna Cope – Muskogee County Clerk**

The signature stamps have now been sent to the Oklahoma Secretary of State.

**Finding 2010-16 – IRS Overpayment (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, amounts reported on Federal 941 Reports and amounts electronically drafted from the EFTPS county bank account should be supported by accurate payroll reports.

Condition: Twelve out of 12 EFTPS transfers tested were not properly supported by the Federal 941 Reports. The County submitted \$3,591.39 more to the Internal Revenue Service (IRS) than reported on the Federal 941 Reports.

Effect: The County overpaid the Internal Revenue Service.

Recommendation: OSAI recommends the Federal 941 Reports and the amounts electronically drafted to the Internal Revenue Service be adequately supported by payroll records to provide effective controls over federal tax payments.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Management Response:

**Dianna Cope – Muskogee County Clerk**

The overpayment for Internal Revenue Service has been refunded to the County. This problem has now been fixed.

**Finding 2010-17 – OPERS Overpayment (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, employee and employer contributions paid to the Oklahoma Public Employees Retirement System (OPERS) should be supported by accurate payroll records.

Condition: OSAI noted discrepancies in payroll reports and the amount paid to OPERS.

Effect: The County overpaid contributions to the Oklahoma Public Employees Retirement System.

Recommendation: OSAI recommends management take action to determine the amount of overpayments made to OPERS and request a refund or credit. OSAI further recommends that management implement procedures to prevent the overpayment.

Management Response:

**Dianna Cope – Muskogee County Clerk**

I have contacted the Oklahoma Public Employees Retirement System in regards to the overpayment. They requested a letter from us stating the month and amount of the overpayments before they can send us a reimbursement. I am in the process of getting this information to them. This was due to the wrong percentage on the matching funds in the computer program. This problem has now been fixed.

**Finding 2010-23 – County Wide Controls (Repeat Finding)**

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives,

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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 of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the County needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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.

Condition: County-wide controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed.

Effect: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the County implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

Management Response:

**Gene Wallace – Chairman, Board of County Commissioners**

County through vendors, outside consultants and Association assistance will implement a process of informational sharing through reports and exhibits.

**MUSKOGEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Finding 2010-24 – Purchasing by the Sheriff**

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipts of supplies, material, and equipment for maintenance, operation and capital expenditures of county government. It is the duty of all officials to follow the Purchasing Act as outlined in Title 19, Chapter 33 – Purchasing Procedures.

Title 19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Title 19 O.S. § 1505.F.1 states in part:

The following procedures are for the processing of purchase orders:  
Purchase orders may be allowed and paid at the first meeting of the board of county commissioners after presentation for payment.

Title 19 O.S. § 1505.F.2 states in part:

The board of county commissioners shall consider the purchase orders so presented and act upon the purchase orders, by allowing in full or in part or by holding for further information or disallowing the same. The disposition of purchase orders shall be indicated by the board of county commissioners, showing the amounts allowed or disallowed and shall be signed by at least two members of the board of county commissioners.

Condition: During our review of purchase orders, it was brought to our attention that some purchase orders initiated in the Sheriff’s Office had not been properly encumbered. These purchase orders were initially refused by the County Clerk for not following purchasing procedures.

Our review of purchase orders revealed the following 15 purchase orders where the purchase orders were not properly encumbered:

| <b>Purchase Order</b> | <b>Service</b>               | <b>Service Date</b> | <b>Encumbrance Date</b> | <b>Amount</b> |
|-----------------------|------------------------------|---------------------|-------------------------|---------------|
| 529                   | Gas Usage for Jail           | 6/2011              | 7/21/2011               | 1,113.42      |
| 536                   | Inmates held in Craig County | 6/2011              | 7/21/2011               | 18,630.00     |
| 539                   | Preventative Maintenance     | 6/30/2011           | 7/21/2011               | 1,243.00      |
| 782                   | Food Service for Jail        | 6/22/2011,          | 7/28/2011               | 22,177.78     |

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|      |                                   |                                |            |          |
|------|-----------------------------------|--------------------------------|------------|----------|
|      |                                   | 6/29/2011, 7/6/2011            |            |          |
| 822  | Tires and Service for Vehicles    | 3/4/2010, 6/22/2010, 6/25/2010 | 8/3/2010   | 403.27   |
| 4702 | Parts for Vehicle                 | 12/4/2010                      | 2/15/2011  | 144.99   |
| 7089 | Computer Program for Investigator | 2/2011                         | 6/16/2011  | 13.36    |
| 7142 | Repairs for Washing Machine       | 5/7/2011                       | 6/20/2011  | 202.00   |
| 7144 | X-Rays for inmates                | 1/14/2011, 1/27/2011           | 6/20/2011  | 680.72   |
| 7145 | Surgeon Office Visit for Inmate   | 4/19/2011                      | 6/20/2011  | 157.00   |
| 821  | Repairs to Condenser Fan          | 7/22/2010                      | 8/3/2010   | 1,397.24 |
| 2460 | Uniform Rental                    | 10/14/2010                     | 10/20/2010 | 222.14   |
| 3750 | Maintenance Supplies              | 7/1/2010                       | 12/28/2010 | 187.89   |
| 5842 | Medical Services for inmate       | 11/10/2010                     | 4/14/2011  | 464.40   |
| 7141 | Medical Services for inmates      | 12/14/2010, 12/30/2010         | 6/20/2011  | 2,072.22 |

Effect: When the official does not properly encumber funds, purchasing controls are not effective with regard to the determination of funds being available for expenditure. This condition could result in misappropriation of assets.

Recommendation: OSAI recommends the Sheriff's Office follow established purchasing procedures as outlined in Title 19, Chapter 33 of the Oklahoma State Statutes. Also purchase orders for goods or services should be presented to the Board of County Commissioners to be allowed or disallowed for payment in accordance with Title 19 § 1505 F.1-2.

Management Response:

**Charles Pearson – Muskogee County Sheriff**

The Sheriff's Office will comply with Statute: Title 19, Chapter 33

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**SECTION 3—Findings related to the Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

**Finding 2010-19 – Schedule of Expenditures of Federal Awards (Repeat Finding)**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1876 and 1883

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

*OMB A-133, Subpart C, §\_\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310.

Additionally, FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work...This information should include the completed PW; completed Special Considerations Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents;

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receipt and disbursement documents; and records of donated goods and services, if any.

Condition: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Effect: Coordination of Federal Awards did not occur to ensure proper reporting, adequate internal controls, and compliance with federal requirements. The County was unable to identify the amount of federal expenditures during the fiscal year.

Recommendation: OSAI recommends Muskogee County have a policy for handling all federal grants awarded to the County. These policies could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

Management Response:

**Gene Wallace – Chairman, Board of County Commissioners**

The County is now aware of our responsibility for preparing this schedule and with the cooperation of the County Clerk, the Commissioners’ Secretary and the assistance of the State Auditor’s Office, is now maintaining a schedule of all Federal Funds and their activity.

**Finding 2010-20 - Internal Controls over Major Programs - FEMA (Repeat Finding)**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1876 and 1883

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

Criteria: *OMB A-133, Subpart C, §\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the



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provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Condition: During the process of documenting the County's internal controls regarding federal disbursements, it was noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions.

Effect: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements.

Management Response:

**Gene Wallace – Chairman, Board of County Commissioners**

The elected officials of Muskogee County and their dedicated staffs want to express their willingness to correct and improve all records and systems within our County, and look forward to future year's audits with the goal of improvement each year. We are cognizant that we all serve the taxpayers and have an obligation to do it as efficient and as open as possible.

**Finding 2010-22 – County Wide Controls over Major Programs (Repeat Finding)**

**PASS THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1876 and 1883

**FEDERAL AWARD YEAR:** 2010

**CONTROL CATEGORY:** Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Period of Availability of Federal Funds; Procurement, Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of

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Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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 of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the County needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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.

Condition: County-wide controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed to ensure compliance with grant requirements.

Effect: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with grant requirements.

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Management Response:

**Gene Wallace – Chairman, Board of County Commissioners**

The elected officials of Muskogee County and their dedicated staffs want to express their willingness to correct and improve all records and systems within our County, and look forward to future year's audits with the goal of improvement each year. We are cognizant that we all serve the taxpayers and have an obligation to do it as efficient and as open as possible.

**SECTION 4—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 2010-7 – OPERS Benefits (Repeat Finding)**

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

Condition: OSAI noted the Sheriff's office had two employees who did not receive OPERS benefits.

Effect: All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which these employees were eligible.

Management Response:

**Charles Pearson – Muskogee County Sheriff**

All employees pay OPERS.

**Finding 2010-10 – Segregation of Duties – Official Depository Accounts (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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

- a. The County Sheriff's office has two deputies who write all the receipts, prepare official depository tickets, take deposits to the Treasurer's office, and post deposits to the cash book. Further, the same deputies can prepare the vouchers, sign the vouchers, post the vouchers to the cash book, and mail the vouchers for this account, as well as prepare claims and approve claims for payment.
- b. The District Attorney's office has three employees who open the mail, write receipts, prepare official depository ticket, take deposit to the Treasurer's office, post to the official depository ledger, and reconcile the account to the Treasurer's balance at month end. Further, two of the employees also prepare, sign, post, and mail vouchers for this account.
- c. The Election Board office has one clerk who opens the mail, writes all the receipts, takes deposits to the bank, posts deposits to the cash book, and balances the account at month end to the Treasurer's balance. The Clerk also prepares claims and mails vouchers.

Effect: 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 management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

**Charles Pearson – Muskogee County Sheriff**

Changes have been made to segregate duties.

**Ellen Thames – Muskogee County Election Board Assistant Secretary**

As Assistant Secretary of the Election Board, it has come to my attention through the Board of County Commissioners that your recent audit revealed a finding as to deficiency in this office. Specifically, I am told that guidelines calling for separation of duty in the administration of Election Board activity are not being followed.

I understand the concern of the Auditor's report to Commissioner Wallace and assure the Auditor that compliance with the finding is a goal I would seek if only I had the staffing to do so. At present, I have two permanent employees and only one of those employees has the experience to assist in administrative duties.

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Given budget constraints and forecasts, I see no future increase in staffing nor can I predict improvement with dissemination of administrative duties.

I recognize the significance of the finding in question and am eager to comply. However, unless and until foregoing issues are overcome, I am certain that I would not know how to reassign work between myself and one other employee in a manner that is acceptable under your guidelines. Therefore, I would greatly appreciate the Auditor's input on how we may overcome this problem or at least create separation of duty with the most favorable appearance and outcome.

I anxiously await your reply and appreciate your attention to this matter.

**Finding 2010-12 – Monthly Reports (Repeat Finding)**

Criteria: Title 19 O.S. § 684 states in part:

...it shall be the further duty of all such officers, boards and commissions and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

Condition: The County Sheriff, Court Clerk, and the County Treasurer did not submit a monthly report to the Board of County Commissioners.

Effect: By not submitting a monthly report to the Board of County Commissioners, the Sheriff and the Treasurer are not reporting sources and amounts of revenue received and vouchers issued in accordance with state statutes.

Recommendation: OSAI recommends the Sheriff and Treasurer take steps to prepare and file a monthly report with the Board of County Commissioners.

Management Response:

**Charles Pearson – Muskogee County Sheriff**

We now do monthly reports.

**Finding 2010-13 – Timesheets (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, employees' timesheets should be signed by both the employee and the supervisor.

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Condition: There were no employees' and supervisors' signatures on timesheets in the following offices: District 3, Jail, and Assessor. There were no supervisor signatures on employee timesheets in District 1 and the Election Board. There was no employee signature on employee timesheets in the Sheriff's office.

Effect: This condition could result in misappropriation of county funds.

Recommendation: OSAI recommends all employees and supervisors sign timesheets to provide proper accounting of funds disbursed for payroll claims.

Management Response:

**Dan Ashwood – Muskogee County Assessor**

My office will make necessary changes to comply with the recommendations as outlined in the recent Auditor's report.

**Charles Pearson – Muskogee County Sheriff**

Employees and Supervisors sign time sheets.

**Finding 2010-14 – Inmate Trust (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, receipts should be pre-numbered and issued in sequential order and reconciliations should be approved by someone other than the preparer. All checks written on the inmate trust account should have two authorizing signatures and any contracts with vendors to run the commissary should be approved by the Board of County Commissioners.

Condition: An examination of the inmate trust account revealed the following exceptions:

- Receipts were not pre-numbered and were not issued in sequential order.
- Bank reconciliations were not approved by someone other than the preparer.
- Board of County Commissioners did not approve the contract with the commissary vendor.
- Checks did not have two signatures.

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

Recommendation: OSAI recommends that receipts are pre-numbered and issued in sequential order and checks should have two authorizing signatures. Reconciliations should be performed monthly on the inmate trust account and should be reviewed and approved by someone other than the preparer. Also, the contract with the commissary vendor should be approved by the Board of County Commissioners.

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Management Response:

**Charles Pearson – Muskogee County Sheriff**

Kiosk has been installed.

Checks signed by two people.

Will approve contract renewals through commissioners.

**Finding 2010-15 – Annual Report (Repeat Finding)**

Criteria: Title 19 O.S. § 180.43.D states in part:

The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.

Condition: The County Sheriff has not filed an annual report of the commissary with the Board of County Commissioners.

Effect: This could result in misappropriation of funds and misstated financial reports.

Recommendation: OSAI recommends an annual report of commissary operations be submitted by the Sheriff to the Board of County Commissioners no later than January 15 of each year.

Management Response:

**Charles Pearson – Muskogee County Sheriff**

We now file an annual report.

**Finding 2010-18 – Reconciliation with the Treasurer (Repeat Finding)**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the Court Clerk Reconciliation reports for the Court Fund and Revolving Fund should reconcile to the County Treasurer's office.

Condition: When reviewing the reconciliation reports for the Court Clerk Revolving Fund, we found that the reports did not reconcile to the Treasurer's office.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends the Court Clerk reconcile the Court Clerk Revolving Fund with the County Treasurer's Office.

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Management Response:

**Paula Sexton – Muskogee County Court Clerk**

When the Court Clerk Revolving Fund was in my office, we balanced monthly with the County Treasurer. However, once that account was moved to the County Clerk's office, and they were responsible for the issued vouchers, we maintained a spreadsheet ledger. We balanced monthly with the up-to-date and comprehensive appropriation ledger received from the County Clerk's Office at the close of each month, which would reflect any outstanding vouchers that would not be inclusive in the Treasurer's report.



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**Finding 2007-21 – Approval of the Board of County Commissioners**

**CFDA:** 14.228

**Federal Program:** Community Development Block Grants/State's Program

**Funding Agency:** U.S. Department of Housing and Urban Development

**Finding Summary:** Four of the five expenditures tested were paid prior to the approval of the Board of County Commissioners.

**Status:** Not corrected.

**Finding 2007-22 – Subrecipient Monitoring**

**CFDA:** 14.228

**Federal Program:** Community Development Block Grants/State's Program

**Funding Agency:** U.S. Department of Housing and Urban Development

**Finding Summary:** Muskogee County is the pass-through entity for the Community Development Block Grant received from the Oklahoma Department of Commerce. The grant monies are then remitted to the Muskogee City-County Port Authority and Wagoner Rural Water District #8 after a request for funds is approved by the Oklahoma Department of Commerce. There was no record in the Muskogee County files that reflected any monitoring for the federal award of the Community Development Block Grants expended in fiscal year 2007. In addition, the County was not aware of their responsibility to ensure that an audit should be made of the Port Authority's books and records.

**Status:** Not corrected.

**Finding 2007-23 – Schedule of Expenditures of Federal Awards (SEFA)**

**CFDA:** All

**Federal Program:** All

**Funding Agency:** All

**Finding Summary:** During our review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by Muskogee County, numerous exceptions were noted.

**Status:** Not corrected

**Finding 2007-24 – Review of Reports**

**CFDA:** 14.228

**Federal Program:** Community Development Block Grants/State's Program

**Funding Agency:** U.S. Department of Housing and Urban Development

**Finding Summary:** The grant coordinator prepares the budget to actual reports as well as the quarterly and annual reports without any form of review from management.

**Status:** Not corrected.

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**Finding 2008-18 – Schedule of Expenditures of Federal Awards (SEFA)**

**CFDA:** 97.036

**Federal Program:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**Funding Agency:** United States Department of Homeland Security

**Finding Summary:** The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the schedule of expenditures of federal awards.

**Status:** Not corrected

**Finding 2008-19 - Internal Controls over Major Programs - FEMA**

**CFDA:** 97.036

**Federal Program:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**Funding Agency:** United States Department of Homeland Security

**Finding Summary:** During the process of documenting the County’s internal controls regarding federal disbursements, it was noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions.

**Status:** Not corrected

**Finding 2008-20 - FEMA Files – Documentation of Federal Expenditures**

**CFDA:** 97.036

**Federal Program:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**Funding Agency:** United States Department of Homeland Security

**Finding Summary:** When performing test work of the County’s projects, it was noted that there was insufficient documentation to support the federal monies disbursed on disasters 1678, 1712, 1752, and 1754 for Districts 1, 2, and 3.

**Status:** Not corrected

**Finding 2008-21 – County Wide Controls over Major Programs**

**CFDA:** 97.036

**Federal Program:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**Funding Agency:** United States Department of Homeland Security

**Finding Summary:** County-wide controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed.

**Status:** Not corrected



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