

COUNTY AUDIT

MUSKOGEE COUNTY

For the fiscal year ended June 30, 2014



*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, 2014**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

April 28, 2017

TO THE CITIZENS OF
MUSKOGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Muskogee County, Oklahoma for the fiscal year ended June 30, 2014. 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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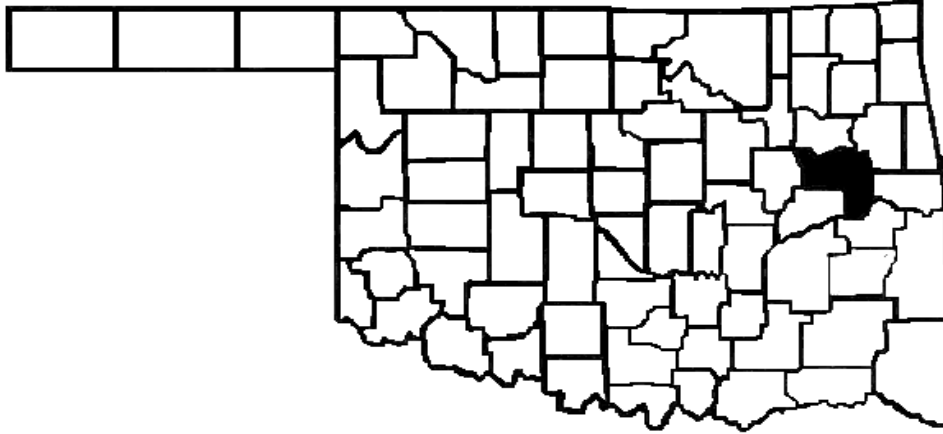
**MUSKOGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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INTRODUCTORY SECTION
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**MUSKOGEE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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.

Other attractions to the county include: USS *Batfish*, a World War II submarine anchored at Port of Muskogee; Bacone College, established in 1879 as a university for Indians, and Bacone College Indian Museum; Fort Gibson Stockade, built in 1824 to protect area settlers and the oldest military post in Oklahoma; and Honey Springs Battlefield, site of the largest Civil War battle fought in Oklahoma.

Muskogee County's economy is based primarily on agriculture, but oil, industry, and recreation have also been part of the building of this county's economics. The city of Muskogee itself is within thirty 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 918/682-7781.

County Seat – Muskogee

Area – 838.99 Square Miles

County Population – 70,596
(2012 est.)

Farms – 1,845

Land in Farms – 374,372 Acres

Primary Source: Oklahoma Almanac 2013-2014

**MUSKOGEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Board of County Commissioners

District 1 – Gene Wallace
District 2 – Stephen Wright
District 3 – Dexter Payne

County Assessor

Dan Ashwood

County Clerk

Dianna Cope

County Sheriff

Charles Pearson

County Treasurer

Kelly Garrett

Court Clerk

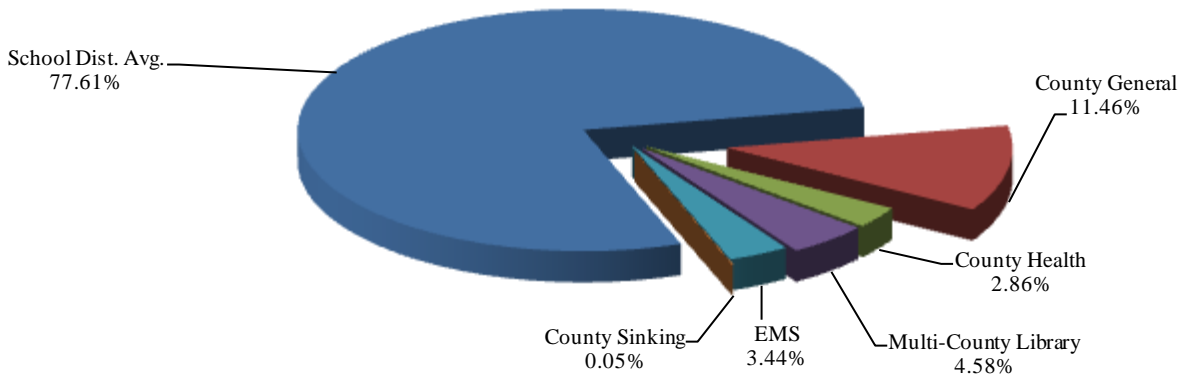
Paula Sexton

District Attorney

Larry D. Moore

**MUSKOGEE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

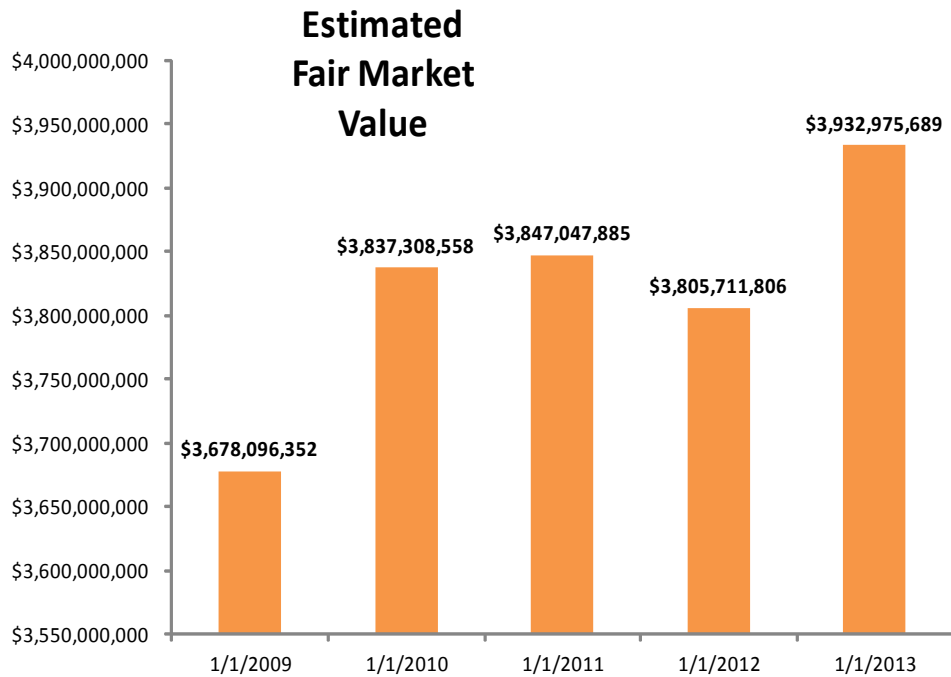
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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							
				Career					
			Gen.	Bldg.	Skg.	Tech	Common	Total	
County General	10.13								
County Health	2.53	Haskell	2	35.98	5.14	20.98	10.13	4.05	76.28
Multi-County Library	4.05	Fort Gibson	3	35.16	5.02	11.46	10.13	4.05	65.82
EMS	3.04	Webber Falls	6	36.09	5.16	23.54	10.13	4.05	78.97
County Sinking	0.04	Oktaha	8	36.68	5.24	22.44	10.13	4.05	78.54
		Wainwright	9	37.00	5.29	-	10.13	4.05	56.47
		Muskogee	20	35.40	5.06	16.91	10.13	4.05	71.55
		Fort Gibson	29	35.73	5.10	-	10.13	4.05	55.01
		Fort Gibson 3B-MUSK	46	35.57	5.08	16.77	10.13	4.05	71.60
		Muskogee	74	35.93	5.13	8.52	10.13	4.05	63.76
		Hilldale	88	36.16	5.17	11.49	10.13	4.05	67.00
		Sequoyah	J-6	35.29	5.04	7.00	10.13	4.05	61.51
		Mcintosh	J-19	36.66	5.24	24.05	10.13	4.05	80.13
		Mcintosh	J-27	35.84	5.12	10.18	10.13	4.05	65.32

**MUSKOGEE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

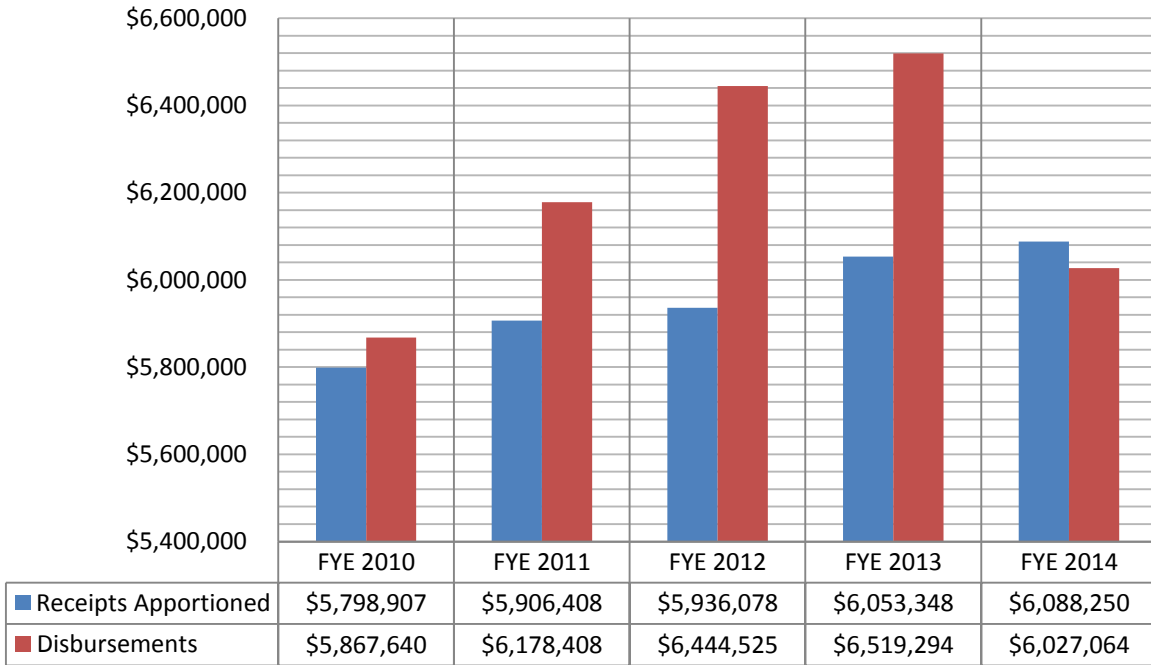
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$102,755,190	\$125,219,009	\$278,128,190	\$19,733,010	\$486,369,379	\$3,932,975,689
1/1/2012	\$96,413,150	\$119,124,642	\$272,877,815	\$19,397,844	\$469,017,763	\$3,805,711,806
1/1/2011	\$102,507,840	\$122,842,789	\$270,073,175	\$19,338,655	\$476,085,149	\$3,847,047,885
1/1/2010	\$107,073,070	\$118,032,417	\$267,132,770	\$19,103,360	\$473,134,897	\$3,837,308,558
1/1/2009	\$102,269,240	\$117,685,623	\$254,189,885	\$18,891,173	\$455,253,575	\$3,678,096,352



**MUSKOGEE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

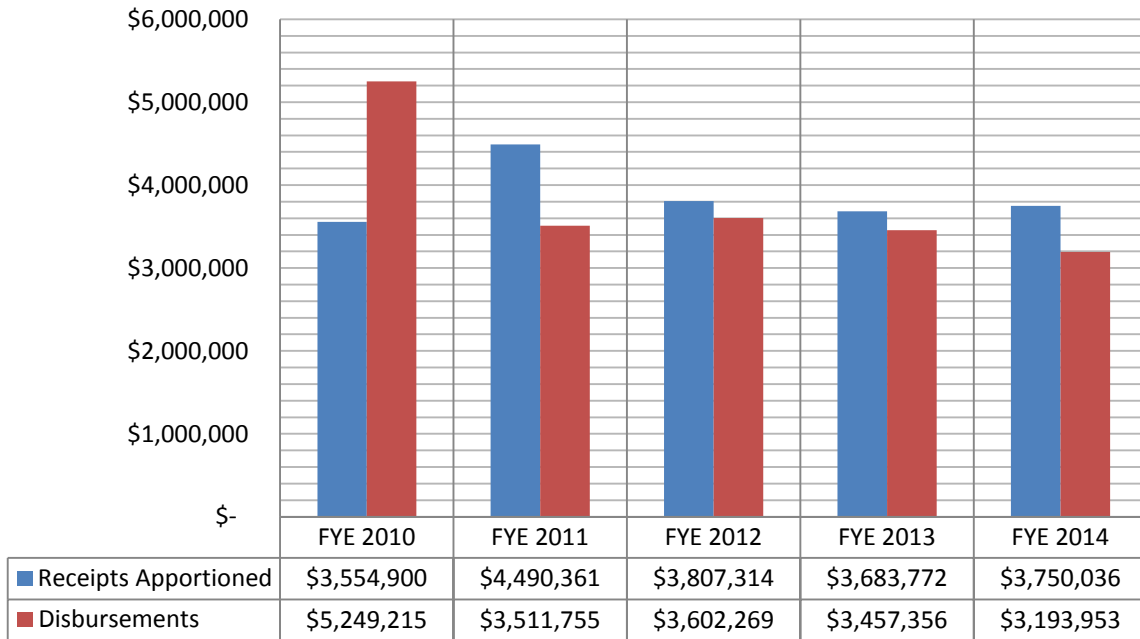
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also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



**MUSKOGEE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Muskogee County as of June 30, 2014, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Muskogee County, for the year ended June 30, 2014, in accordance with the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017, 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 in considering Muskogee County's internal control over financial reporting and compliance.

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

April 25, 2017

REGULATORY BASIS FINANCIAL STATEMENT

MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General	\$ 1,522,307	\$ 6,088,250	\$ 1,719,493	\$ 1,000,000	\$ 6,027,064	\$ 2,302,986
Highway Cash	3,338,507	3,750,036	-	-	3,193,953	3,894,590
County Health	1,102,117	1,640,565	-	-	1,347,604	1,395,078
County Sinking	421,472	67,982	-	-	228,500	260,954
General Obligation Bonds	242,656	192,069	-	-	199,978	234,747
GO Bonds - BOK Servicing Agreement	1,774,874	986,878	-	-	904,762	1,856,990
Muskogee City County Detention - Sheriff's Department	340,649	1,691,771	-	-	1,634,568	397,852
County Bridge and Road Improvement	2,714,782	507,300	-	-	255,142	2,966,940
County Sales Tax/Sheriff	611,167	1,838,721	-	-	1,766,019	683,869
Firefighters Cash/Sales Tax	1,663,203	1,116,394	-	-	1,124,679	1,654,918
Muskogee County Sales Tax/Highway	2,714,331	2,003,044	-	-	2,329,822	2,387,553
Resale Property	1,510,668	444,371	1,005,268	1,070,000	560,487	1,329,820
Community Development Block Grant ED 12	-	445,014	-	-	445,014	-
Remaining Aggregate Funds	2,470,455	2,248,813	-	649,493	1,095,306	2,974,469
Combined Total - All County Funds	\$ 20,427,188	\$ 23,021,208	\$ 2,724,761	\$ 2,719,493	\$ 21,112,898	\$ 22,340,766

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, 2014**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

County Health – accounts for revenues 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.

County Sinking – 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.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

General Obligation Bonds – accounts for the payment of interest and principal on the matured portion of the Muskogee County General Obligation Limited Tax Bonds that are administered by the County. Receipts are derived from industrial tenant rental payments.

GO Bonds - BOK Servicing Agreement – accounts for the payment of interest and principal on the matured portion of the Muskogee County General Obligation Limited Tax Bonds that are administered by the Bank of Oklahoma. Receipts are derived from industrial tenant rental payments.

Muskogee City County Detention - Sheriff's Department – accounts for revenues from law enforcement entities for the housing the entity's prisoners. Disbursements are for the general operation of the Sheriff's Department and Detention Center.

County Bridge and Road Improvement – accounts for monies received from Oklahoma Department of Transportation as imposed by SB 2173. Monies are earmarked for bridges, roads, and certain improvements for roads.

County Sales Tax/Sheriff – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Firefighters Cash/Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Muskogee County Sales Tax/Highway – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

Community Development Block Grant ED 12 –accounts for revenues from Community Development Block Grant received from U.S. Department of Commerce and disbursed for Muskogee County port authority yard improvements.

C. Basis of Accounting

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

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

D. Budget

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

E. Cash and Investments

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

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

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

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

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

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

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

D. Long Term Obligations

1. 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 date of issue.

The following table presents the general obligation bonds at June 30, 2014, and charges for the fiscal year then ended are as follows (expressed in thousands):

Bond	Interest Rates	Beginning Balance	Reduction	Ending Balance	Amount due within one year
County Lmtd Tax Bonds 1998, Series A	7.00%	\$ 25,000	\$ 25,000	\$ -	\$ -
County Lmtd Tax Bonds 1999, Series A	5.125%-5.40%	460,000	80,000	380,000	80,000
County Lmtd Tax Bonds 2001, Series A	8.00%-5.00%	250,000	50,000	200,000	50,000
County Lmtd Tax Bonds 2005, Series A	6.00%-5.00%	565,000	70,000	495,000	70,000
County Lmtd Tax Bonds 2006, Series A	4.50%-6.00%	360,000	40,000	320,000	40,000
County Lmtd Tax Bonds 2009, Series A	5.40%-6.75%	340,000	30,000	310,000	30,000
County Lmtd Tax Bonds 1997, Series B	7.00%-6.00%	870,000	170,000	700,000	170,000
County Lmtd Tax Bonds 2000, Series B	7.50%-7.00%	845,000	105,000	740,000	105,000
County Lmtd Tax Bonds 2004, Series B	7.40%-7.30%	820,000	135,000	685,000	135,000
County Lmtd Tax Bonds 1999, Series C	9.00%-8.70%	50,000	25,000	25,000	25,000
County Lmtd Tax Bonds 2004, Series C	4.70%-6.00%	190,000	30,000	160,000	30,000
County Lmtd Tax Bonds 1999, Series E	6.45%-7.00%	405,000	45,000	360,000	45,000
GO Lmtd Tax Taxable Refunding Bonds of 2010	3.25%-5.00%	600,000	200,000	400,000	200,000
		<u>\$ 5,780,000</u>	<u>\$ 1,005,000</u>	<u>\$ 4,775,000</u>	<u>\$ 980,000</u>

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

During fiscal year 2014, payments included \$1,005,000 principal, \$323,790 interest, and \$4,450 agent fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$900,142, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$980,000	\$268,380	\$1,248,380
2016	955,000	213,556	1,168,556
2017	805,000	157,640	962,640
2018	725,000	111,806	836,806
2019	525,000	73,000	598,000
2020-2024	785,000	75,760	860,760
Total	<u>\$4,775,000</u>	<u>\$900,142</u>	<u>\$5,675,142</u>

E. Sales Tax

On November 8, 2005, Muskogee County voters approved a sales 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. These funds will be used for such other fire protection services as may be deemed necessary by the Board of County Commissioners.

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 fire fighting 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. These funds are accounted for in the Firefighters Cash/Sales Tax fund.

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 (\$0.005). 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 and 50% of the monies to go to Homeland

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Security, courthouse security, and county law enforcement. These funds are accounted for in the Muskogee County Sales Tax/Highway and County Sales Tax/Sheriff funds.

F. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$1,070,000 was transferred from the Resale Property fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$1,000,000 was transferred from the County General fund into the Resale Property fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$649,493 was transferred from the County Use Tax fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$5,268 was transferred from the Excess Resale fund (trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131(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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,522,307	\$ 1,522,307	\$ -
Less: Prior Year Outstanding Warrants	(571,510)	(571,510)	-
Less: Prior Year Encumbrances	(70,154)	(54,148)	16,006
Beginning Cash Balances, Budgetary Basis	<u>880,643</u>	<u>896,649</u>	<u>16,006</u>
Receipts:			
Ad Valorem Taxes	4,479,020	4,795,536	316,516
Charges for Services	233,684	268,390	34,706
Intergovernmental Revenues	719,544	792,991	73,447
Miscellaneous Revenues	800,568	231,333	(569,235)
Total Receipts, Budgetary Basis	<u>6,232,816</u>	<u>6,088,250</u>	<u>(144,566)</u>
Expenditures:			
District Attorney	12,609	8,633	3,976
County Sheriff	307,967	302,849	5,118
County Treasurer	138,488	138,090	398
County Commissioners	292,944	239,364	53,580
OSU Extension	108,714	105,140	3,574
County Clerk	319,655	319,490	165
Court Clerk	290,599	286,632	3,967
County Assessor	283,800	274,500	9,300
Revaluation of Real Property	326,056	282,362	43,694
District Court	26,600	26,600	-
General Government	3,229,702	3,158,792	70,910
Excise-Equalization Board	13,200	10,250	2,950
County Election Board	161,351	150,705	10,646
County Purchasing Agent	158,365	158,195	170
Charity	45,200	45,000	200
County Engineer/Flood Plain Administrator	8,190	8,190	-
Civil Defense	102,922	87,271	15,651
Soil Conservation District	1,555	1,535	20
County/City Jail	199,865	197,872	1,993
School Recording Clerk	21,400	21,374	26
Sales Tax Revolving	649,377	23,783	625,594
Sales Tax MCCDF	20,477	3,480	16,997
Sales Tax Renovation	44,587	21,961	22,626
Highway Budget Account	300,000	292,144	7,856
County Audit Budget Account	48,637	48,637	-
Free Fair Budget Account	1,200	1,200	-
Total Expenditures, Budgetary Basis	<u>7,113,460</u>	<u>6,214,049</u>	<u>899,411</u>

**MUSKOGEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	770,850	\$ 770,850
Operating Transfers:			
Operating Transfers In		1,719,493	
Operating Transfers Out		(1,000,000)	
Net Operating Transfers		719,493	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		45	
Add: Current Year Outstanding Warrants		700,840	
Add: Current Year Encumbrances		111,758	
Ending Cash Balance		\$ 2,302,986	

**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, 2014**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,102,117	\$ 1,102,117	\$ -
Less: Prior Year Outstanding Warrants	(335,264)	(335,264)	-
Less: Prior Year Encumbrances	(9,905)	(8,879)	1,026
Beginning Cash Balances, Budgetary Basis	756,948	757,974	1,026
Receipts:			
Ad Valorem Taxes	1,118,650	1,197,700	79,050
Charges for services	-	393,221	393,221
Intergovernmental Revenues	-	49,270	49,270
Miscellaneous Revenues	393,229	374	(392,855)
Total Receipts, Budgetary Basis	1,511,879	1,640,565	128,686
Expenditures:			
Health and Welfare	2,268,827	1,051,632	1,217,195
Total Expenditures, Budgetary Basis	2,268,827	1,051,632	1,217,195
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,346,907	\$ 1,346,907
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		21,312	
Add: Current Year Outstanding Warrants		26,859	
Ending Cash Balance		\$ 1,395,078	

MUSKOGEE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfer In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:						
Muskogee City County Detention Grant 2	\$ 71	\$ -	\$ -	\$ -	\$ -	\$ 71
County Clerk Lien Cash Fund	31,048	35,741	-	-	40,535	26,254
Sheriff Service Fee Cash Fund	155,563	571,785	-	-	562,637	164,711
Treasurer Mortgage Certification Fee	42,052	10,855	-	-	18,030	34,877
Sheriff Patrol Cash Fund	46,169	2,252	-	-	13,949	34,472
Assessor Visual Inspection and County Assessor Revolving Fund	33,320	7,352	-	-	3,850	36,822
Sheriff Commissary Fund	41,647	274,427	-	-	224,292	91,782
County Clerk Records Management Preservation Fund	147,970	70,198	-	-	81,827	136,341
Sheriff Drug Forfeiture	97,726	49,388	-	-	45,421	101,693
Sheriff Training	2,629	-	-	-	505	2,124
Local Law Enforcement Grant	719	-	-	-	-	719
Project Safe Neighborhood Grant	29	-	-	-	-	29
Homeland Security Grant 1 & 2	115	-	-	-	-	115
Sheriff COPS Grant	119	-	-	-	-	119
Justice Assistance Grant	8	-	-	-	-	8
County Use Tax	1,749,122	328,493	-	649,493	-	1,428,122
Muskogee County K-9	6,667	2,700	-	-	8,216	1,151
Sheriff Reward Revolving	8,643	27,300	-	-	31,388	4,555
Capital Improvement Plan	1,336	6,000	-	-	-	7,336
Rainy Day Fund	85,869	826,596	-	-	35,644	876,821
Emergency Management Grant Fund	1,701	1,800	-	-	3,157	344
Cash Drawer	530	-	-	-	-	530
County Water Improvement District 1	1,410	-	-	-	-	1,410
County Clerk Fire Department Reimbursement	2,179	7,800	-	-	8,912	1,067
Flood Plain Fund	750	-	-	-	-	750
Emergency Management Performance Grant/ST	13,063	26,126	-	-	16,943	22,246
Combined Total - Remaining Aggregate Funds	\$ 2,470,455	\$ 2,248,813	\$ -	\$ 649,493	\$ 1,095,306	\$ 2,974,469

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

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

County Clerk Lien Cash Fund – accounts for revenues 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 – accounts for the collection and disbursement of Sheriff process service fees as restricted by statute.

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

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

Assessor Visual Inspection and County Assessor Revolving Fund – accounts for revenues from fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

Sheriff Commissary Fund – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursement of funds as restricted by state statute.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Sheriff Drug Forfeiture – accounts for revenues from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's drug task force.

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

Local Law Enforcement Grant – accounts for revenues from a federal grant. Disbursements are for supplemental deputies.

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

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

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

Justice Assistance Grant – revenues are from a federal grant. Disbursements are for Sheriff patrol cars.

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

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

Sheriff Reward Revolving – accounts for the collection of fines and restitution from littering and the disbursements are restricted to be used for the prevention of littering.

Capital Improvement Plan – accounts for Community Development Block Grants received from the U.S. Department of Commerce and disbursed as restricted by the grant agreement.

Rainy Day Fund – accounts for collections from the sale of County property and disbursed for maintenance of the courthouse.

Emergency Management Grant Fund – accounts for Emergency Management Performance Grants received from the U.S. Department of Homeland Security and disbursed as restricted by the grant agreement.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash Drawer – accounts for cash held by the various county offices for change funds.

County Water Improvement District 1 – accounts for revenues from a grant received for Rural Water District 1 and disbursed for the improvement of the water district.

County Clerk Fire Department Reimbursement – accounts for revenues from the Fire Fighters Sales Tax Board. Disbursements are for the payroll of a County Clerk employee that handles the administrations of the fire departments' disbursements.

Flood Plain Fund – accounts for fees collected for flood plain certifications and disbursed for flood plain travel and maintenance and operation.

Emergency Management Performance Grant/ST – accounts for Emergency Management Performance Grants received from the U.S. Department of Homeland Security and disbursed for Emergency Management Assistance expenses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payment to States in Lieu of Real Estate Taxes	12.112		\$ 29,996
Total U.S. Department of Defense			<u>29,996</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	15449 CDBG 12	445,014
Total U.S. Department of Housing and Urban Development			<u>445,014</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		54,229
Total U.S. Department of Interior			<u>54,229</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Hazardous Mitigation Grant	97.039	DR-1355	3,157
Emergency Management Performance Grant (EMPG)	97.042	EMPG	16,943
Total U.S. Department of Federal Emergency Management			<u>20,100</u>
Total Expenditures of Federal Awards			<u>\$ 549,339</u>

**MUSKOGEE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statement, which collectively 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 April 25, 2017.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2014, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Muskogee County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Muskogee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Muskogee County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2014-1, 2014-3, 2014-4, 2014-9, 2014-11, 2014-12, and 2014-22.

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 described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2014-2, 2014-5, and 2014-8.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of 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 Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

April 25, 2017



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 for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

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, 2014. 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.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Muskogee County's management.

Auditor's Responsibility

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.

As described in item 2014-20, in the accompanying schedule of findings and questioned costs, Muskogee County did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii. Compliance with such requirements is necessary, in our opinion, for Muskogee County to comply with the requirements applicable to that program.

Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2014.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-18, 2014-19, and 2014-20 to be material weaknesses.

Other Matters

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, 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

April 25, 2017

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified 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? None reported

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

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's program and Non- Entitlement Grants in Hawaii

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

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

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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 2014-1 - Inadequate County-Wide Internal Controls (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed to address the Risk Assessment and Monitoring of the County. The County was not fully aware of the benefits gained by the implementation of procedures regarding the Risk Assessment and Monitoring as it relates to the strengthening of its internal control structure.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to establish internal controls and identify and address risk. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: We have recently begun having meetings that include all of the offices of Muskogee County, designed to help us better understand the concerns and struggles that each office faces. Through these meetings we hope to produce better policies and procedures. We will be looking at the findings and recommendations of this audit, and striving to put the recommendations into practice to be more efficient and compliant. We will also pursue opportunities to provide training for our officials and their staff to help us better understand the scope of our jobs. Our goal is to be in complete compliance with the laws and statutes that govern us and to operate our County efficiently and lawfully.

County Clerk: We have recently had one meeting regarding Risk Assessment and Monitoring with a representative present from each department.

County Treasurer: The Treasurer's office will work with the officers and schedule monthly meetings regarding Risk Assessment and Monitoring, procedures will be submitted in writing. We have held one meeting in the current fiscal year.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also

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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 and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2014-2 - Inadequate Internal Controls Over Information Systems Security - County Treasurer (Repeat Finding)

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

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

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

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

Management Response:

County Treasurer: The County Treasurer will monitor security levels quarterly and keep note of said levels.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes

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performing security on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2014-3 - Inadequate Segregation of Duties Over Receipting and Balancing Processes – County Treasurer (Repeat Finding)

Condition: The following duties performed in the County Treasurer’s office are not properly segregated: reconciling bank statements, issuing receipts, and preparing deposits. In addition, the duties of issuing receipts, preparing the daily report, preparing the monthly report, posting apportionments to the general ledger, and reconciling the general ledger to the monthly report and reconciling bank statements are all being performed by one employee. For mail-in payments, all employees can open the mail and issue receipts. The County Treasurer’s office does not prepare and maintain a mail log.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties in the County Treasurer’s office.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions, could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Treasurer: At present all employees can issue tax, mortgage tax and trust receipts. However, miscellaneous receipts are issued by the chief, first and second deputies only. The balancing of bank statements was at one time divided between two employees. This process will be reinstated. The daily verifying of monies for deposit to the general bank account and the official depository are to be the responsibility of the cashier and official depository clerk, with re-verification by management personnel. A mail log is not feasible at this time. This office does keep a file on all returned payments, each consisting of the original envelope, a copy of said contents and correspondence from this office when said payment is returned

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting, reconciling the cash drawer, preparing and making deposits, and maintaining and reconciling account balances should be segregated.

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Finding 2014-4 – Control Environment Regarding Financial Reporting (Repeat Finding)

Condition: As part of our Risk Assessment, we interviewed the County Treasurer and office employees as to their understanding on internal controls. As part of our financial statement audit, we test receipts, disbursements, and cash balances.

While verifying the financial statement, we noted the following concerns:

- During the fiscal year 2012 audit, it was noted that the County had transferred monies from the General Obligation Bonds fund to a financial institution in accordance with a servicing agreement dated July, 2010. The servicing agreement designates the Bank of Oklahoma (BOK) as the servicing agent to receive all note payments, bank fees, administrative fees, and default payments on certain outstanding bonds, as well as, to pay principal and interest on the outstanding debt. During fiscal year ending June 30, 2014 the GO Bonds - BOK Servicing Agreement fund was not monitored by the County Treasurer's office or other County personnel and the balance of \$1,856,990 was not accounted for on the County's financial statement. Adjusting journal entries were proposed by auditors and the financial statement was corrected.
- While confirming investments for fiscal year 2014, it was noted that a certificate of deposit account registry service's investment in the amount of \$1,500,000 was not recorded on the investment ledger along with two (2) other certificates of deposits totaling \$23,027 it was also noted that one (1) certificate of deposit's interest was updated on the general ledger, but not on the investment ledger and two (2) certificates of deposits had interest updated on the investment ledger but not on the general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the financial reporting operations of the County Treasurer's office are conducted in an effective and efficient manner.

Effect of Condition: These conditions adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends the County be aware that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected. Management should take action to mitigate the possibility of a misstatement. OSAI further recommends that the County Treasurer's office personnel gain an understanding of the design of the internal control process and implement those controls in an effective and efficient manner.

Management Response:

County Treasurer The Treasurer regrets the errors pointed out by the OSAI. Such errors will be corrected as quickly as possible. The Treasurer's office has employed an outside accounting firm to assist with this endeavor.

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Chairman of the Board of County Commissioners: The Board of County Commissioners are aware of the problems identified in this finding and we have encouraged the County Treasurer to put measures into place to prevent any of these types of oversights from happening again. I did meet with our County Treasurer and he understands that changes must be made to ensure that our internal controls are such that these types of occurrences will not go undetected or uncorrected again.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Finding 2014-5 – Inadequate Internal Controls and Noncompliance Over Operational Transfers

Condition: During the audit period, the County made the following transfers between the budgeted and restricted cash funds presented on the Treasurer's general ledger. Budgeted funds, as well as funds deposited into revolving cash funds, are restricted by state statute and comingling of these funds is not allowed.

- \$70,000 was transferred from the Resale Property fund to the County General fund to meet requirements of appropriations. This loan was not approved by the County Excise Board or repaid within the current fiscal year.
- \$649,493 was transferred from the County Use Tax fund to the County General fund. This transfer was made by resolution of the Board of County Commissioners, dated October 1, 2012. The resolution states the Board of County Commissioners approve this resolution transfer of funds as needed from the Use Tax fund to the County General fund for FY12/13. This transfer was made by the County Treasurer on August 29, 2013, approximately eleven (11) months after the resolution was approved.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with state statutes regarding transfers between funds.

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

Recommendation: OSAI recommends that the County design procedures to identify all temporary operational transfers and ensure these transfers are paid back prior to the end of the fiscal year in which they were made and to get County Excise approval of such transfers. Additionally, transfers between funds should only be made for those limited specific purposes as set forth in state statutes.

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Management Response:

Chairman of the Board of County Commissioners: The \$70,000 loan and transfer was executed on June 8, 2013. The fiscal year ended on June 30, 2013. To repay this back in two weeks would be practically impossible. There would have been no need for the loan if they had the \$70,000 to repay it by the end of the fiscal year. It appears that an oversight occurred here because I can find no evidence that the loan was repaid. This occurred in June 2013. I became county commissioner on January 2, 2015. Having no firsthand knowledge of this event I spoke with former commissioners about the matter. I was told that they were aware that they needed to have the money loaned to them to meet payroll. They did not realize that the transaction would be done as soon as it was. It was an oversight by county officials that it was not paid back. Their intention was to pay the loan back. But for unknown reasons, this particular transaction fell through the cracks. We have procedures in place to ensure that this doesn't happen again and intend to be diligent in following them. I am still looking into this matter and would appreciate the opportunity to respond further if more information becomes known to me concerning this finding.

With the understanding that the Use Tax fund monies may be spent on any needs deemed appropriate by the Board of County Commissioners, in the future we will create a purchase order to procure monies directly from the Use Tax fund instead of transferring funds.

County Treasurer: I will pursue the repayment of the \$70,000 loan from the Resale Property Fund with the Board of County Commissioners to ensure the loan is paid back by or before June 30, 2017.

County Clerk: After talking with the County Treasurer and Chief Deputy they did not consider this a loan to be paid back. The County was not able to pay this back within the fiscal year due to borrowing in June due to lack of funds to pay county insurance and the fiscal year ended June 30.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all temporary transfer of funds should be paid back in a timely manner in accordance the state statutes.

Title 62 O.S. § 331 states in part, "First. All funds for current requirements arising out of an ad valorem tax levy assessed and collected under the provisions of Section 9, Article 10, Constitution, as amended, ... are hereby declared to constitute the "General Fund" of such county, city, town, independent or dependent school district, or other municipal subdivisions of the state. All special "funds" arising out of an ad valorem tax levy, within the limitations of said Section 9, Article 10, Constitution, ... authorized or required by existing laws to be devoted to a specific or special purpose, or that may hereafter be so authorized or required, unless specifically excepted, shall, from and after the effective date of this act, be accounted for as integral "budget accounts" within and as a part of the said "General Fund." Each such integral budget account shall bear the title ascribed by law to such special purpose, and it shall be subject to be so itemized for purpose of appropriation as the law may direct for the accomplishment of such special purpose, and none of the items of appropriation within such special budget account shall ever be expended for any purpose other than provided by the law creating such special fund (now

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budget account) nor shall any part of it ever be available for transfer to any other budget account within the General Fund. It is provided, however, that cancellation and/or transfer between the several items of appropriation for a special purpose within the limitations and in the manner provided by law is hereby authorized.”

Effective internal controls would include procedures designed to ensure compliance with 68 O.S. § 3021, which states in part, “If at any time during the budget year it appears to the County Treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.”

Finding 2014-8 – Inadequate Internal Controls Over Signature Stamps – County Commissioners (Repeat Finding)

Condition: While gaining an understanding of the purchasing process, we noted the following:

- The County Treasurer’s office had physical control of District 1 and District 3 County Commissioner’s stamps during the fiscal year.
- All three (3) County Commissioners’ signature stamps are locked in a safe in the Board of County Commissioners meeting room, but all three (3) Commissioners have access to the safe.

Cause of Condition: Policies and procedures have not been designed to ensure signature stamps are used only by the owner. The County Commissioners do not have physical control of their signature stamps.

Effect of Condition: This condition increases the concentration of duties regarding the purchasing process due to the County Treasurer’s office having the ability to approve warrants. Consequently, this could result in unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that signature stamps be used only by the official to whom it belongs. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Treasurer: The County Treasurer’s office no longer has physical custody of any officer’s signature stamps.

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County Commissioner District 1: Each Commissioner now has a locked bank bag accessible by a key only kept by that Commissioner, no one except me has authority or the ability to access my signature stamp as of now.

County Commissioner District 2: The fire proof safe was recommended by OSAI during our last audit, we have since purchased three separate lock bags for each of our stamps.

County Commissioner District 3: All three stamps will remain in the same safe, but each stamp will be locked up separately in lockable bank bags going forward. This has already been implemented at this time.

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

Finding 2014-9 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding)

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

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

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Clerk: We have been balancing our appropriation ledger with the County Treasurer's office appropriation ledger and not the Treasurer's general ledger. We are working on changing this.

County Treasurer: The Treasurer's office has balanced with the County Clerk's office. We have balanced the appropriation ledger from the Treasurer's office and not the general ledger this will be remedied.

Criteria: Safeguarding controls are an important aspect of internal control. Safeguarding controls related to the prevention or timely detection of unauthorized transactions and unauthorized access to assets.

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Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Finding 2014-11 – Inadequate Internal Controls Over Bank Reconciliations (Repeat Finding)

Condition: While reperforming the bank reconciliations and verifying all reconciling items at June 30, the following exceptions were noted:

- Bank reconciliation was not performed for the Independent School District account.
- The bank reconciliations for the County General and Employee Tax account were not reconciled correctly.

Cause of Condition: Policies and procedures have not been designed to ensure all accounts are reconciled and approved on a monthly basis.

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

Recommendation: OSAI recommends that bank reconciliations are performed monthly for all accounts. In addition, all bank reconciliations should be reviewed and approved by someone other than the preparer and include an indication of such review.

Management Response:

County Treasurer: We are working to re-establish various employees who will be balancing the bank statements. The Treasurer's office is working with an accounting firm to build an accurate bank reconciliation form that is adequate for our needs. All accounts will be reconciled and accounts missing from the general ledger will be added.

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

Finding 2014-12 – Lack of Internal Controls Over Presentation of Financial Statement (Repeat Finding)

Condition: The County has not designed and implemented internal controls for the presentation of the County financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined the preparer of the financial statement did not report accurate numbers.

The cash receipts and cash disbursements were reported as \$22,034,331 and \$20,208,136, respectively. A review of the records provided by the County Treasurer determined that the actual receipts and

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disbursements amounts were \$23,021,209 and \$21,112,899; an understatement of \$986,878 and \$904,763, respectively.

Cause of Condition: Internal controls have not been designed and implemented to accurately report cash receipts and disbursements on the financial statement.

Effect of Condition: These conditions resulted in inaccurate reporting of cash receipts and cash disbursements on the financial statement.

Recommendation: OSAI recommends the County design and implement procedures to ensure the cash receipts and cash disbursements are reported accurately on the financial statement.

Management Response:

County Treasurer: Although employees attended an extremely short school on the financial statement, there was little or no understanding on how to proceed with said form. The County has employed the services of an outside accounting firm to produce the County's financial statements in the future.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. 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.

Finding 2014-22 – Inadequate Internal Controls and Noncompliance Over Payment of Purchase Orders

Condition: During review of the County's purchase orders, it was noted that the Community Development Block Grant ED 12 fund had two (2) purchase orders issued to the Muskogee City County Port Authority. Purchase order numbers, 3665 in the amount of \$93,425 and 4631 in the amount of \$351,589 with warrant numbers 1 and 2, respectively. Both warrants were issued, signed by the Chairman of the Board of County Commissioners, and paid by the bank prior to to the Board of County Commissioners approving the purchase order for payment.

Cause of Condition: The County did not follow the policies and procedures designed by the state statutes regarding the purchasing process and issuing payment.

Effect of Condition: This condition resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors and misappropriation of funds, inaccurate records and incomplete information.

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Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. The Chairman of the BOCC should only authorize and sign warrants after the approval of payment by the Board of County Commissioners.

Management Response:

Chairman of the Board of County Commissioners: Although this finding occurred before my term as County Commissioner, Muskogee County intends to follow the purchasing procedures set forth by state statutes to ensure warrants are not issued prior to purchase orders being approved by the Board of County Commissioners.

Criteria: Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

Title 19 O.S. § 328 states in part, “It shall be the duty of the chairman of the board of county commissioners to preside at the meetings of said board, and he shall have the power to administer [.....] all orders made by the board of county commissioners, and all warrants drawn on the county treasurer, shall be signed by the chairman and attested by the clerk.”

Title 19 O.S. § 339(A)(13) states in part, “The board of county commissioners shall have power [...] To do and perform other duties and acts that the board of county commissioners may be required by law to do and perform;”

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, [...] 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. [...]”

Title 62 O.S. § 471 B states in part, “Any board of county commissioners of a county of this state may issue a negotiable instrument which will serve as both a warrant on the treasury and a check ordering payment of the warranted amount of money from the account of the treasury. This instrument shall be prepared and issued in accordance with procedures and requirements provided by law for a warrant and a check and shall be signed by the chair of the board of county commissioners, the county clerk and the county treasurer. Printing on the instrument shall indicate that the instrument is a "warrant" of the county and a "check" drawn on the account of the county....”

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SECTION 3—Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Finding 2014-18 – Inadequate County-Wide Controls Over Major Federal Programs – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 15449 CDBG 12

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: -\$0-

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

Cause of Condition: Policies and procedures have not been designed to ensure the County is in compliance with grant requirements.

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

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

Management Response:

Chairman of the Board of County Commissioners: Though the majority of the current Board of County Commissioners was not seated when this finding originated, we will work towards implementing a system of internal controls regarding Control Environment, Risk Assessment, Information, and Communication and Monitoring. We were under the impression that since the grant was done in conjunction with the Port Authority that that the Port Authority would be responsible for overseeing the grant. It is clear to us now that we will need to oversee all aspects of these grants.

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

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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.

Information and Communication is a component of internal control which should provide 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.

Finding 2014-19 – Inadequate Internal Controls Over Major Federal Programs – Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grant/State’s program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 15449 CDBG 12

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: -\$0-

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and loss of federal funds to the County.

Recommendation: OSAI recommends Muskogee County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements. OSAI further recommends the County utilize available resources, such as the website, www.cfda.gov, to develop compliance with restrictions and guidelines as set forth for the types of grants received.

Management Response:

Chairman of the Board of County Commissioners: Though the majority of the current Board of County Commissioners was not seated when this finding originated, we will work towards implementing a system of internal controls to ensure compliance with grant requirements. We will work to better familiarize ourselves with all grant guidelines and restrictions. It is our desire to be one hundred percent (100%) compliant.

Criteria: *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 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.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding 2014–20 – Lack of Internal Controls and Noncompliance with Compliance Requirement I – Procurement and Suspension and Debarment

PASS THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U. S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grant/State’s program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 15449 CDBG 12

FEDERAL AWARD YEAR: 2014

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: -\$0-

Condition: While performing testwork on the federal expenditures for major Federal program, the following was noted:

- OSAI was unable to obtain sealed and time stamped envelopes, consequently, unable to verify that the project was properly bid.
- Two (2) warrants were cashed prior to purchase orders being approved by the Board of County Commissioners (BOCC) see table below:

Warrant Number	Amount	Bank Paid Date	Date Approved BOCC
1	\$93,425	January 3, 2014	January 7, 2014
2	\$351,589	February 14, 2014	February 18, 2014

Cause of Condition: Policies and procedures have not been designed to ensure compliance with grant requirement regarding procurement and suspension and debarment.

Effect of Condition: This condition resulted in noncompliance with grant requirements.

Recommendation: OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements and to ensure warrants are not distributed prior to being approved by the BOCC.

Management Response:

Chairman of the Board of County Commissioners: Though the majority of the current Board of County Commissioners was not seated when this finding originated, we will work towards implementing a system of internal controls to ensure compliance with grant requirements. We will work to better familiarize ourselves with all grant guidelines and restrictions. It is our desire to be one hundred (100%) compliant. We understand that it is the responsibility of the Board of County Commissioners to make sure the policies and procedures are strictly adhered to when executing and accepting grants.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Criteria: *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 material effect on each of its Federal programs.

Further, OMB Circular A-133 Compliance Supplement states, “States, and governmental sub recipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds.”

ODOC Contractors Implementation Manual Requirement No. 402 - Procurement states, “Counties are required to follow the procedures as defined in O.S. 19, et al.”

CDBG Project Management Guide, Requirement 401 Section VI paragraph B. states, “It is the responsibility of the grant recipient to maintain all official grant related records and documents at the city/town hall.”

CDBG Contract Part II: 15449 CDBG ED 12 Paragraph 6 Section a. states “a. The Contractor expressly agrees to be solely responsible to ensure that the use of monies received under this contract complies with all federal, State and local statutes regulations and other legal authority, all as modified from time to time that affect the use of said monies.

CDBG Contract Part II: 15449 CDBG ED 12 Paragraph 14 Section a. and b. state “a. The Contractor shall maintain records and accounts, including property, personnel and financial records, that properly document and account for all project funds. Specific types and forms of record are required in ODOC CDBG Project Management Guide previously received by the Contractor.” “b. The Contractor shall retain all books, documents, papers, records and other materials involving all activities and transactions related to this contract for at least three (3) years from the date of submission of the Final Expenditure Report or until all audit findings have been resolved, whichever is later. All records and accounts shall be made available on demand to the Oklahoma State Auditor and Inspector, HUD, the Comptroller General and ODOC, its agents and designees, for inspection and use in carrying out its responsibilities for administration of funds.”

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-14 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One employee purchases inventory for e-cigarettes and phone cards, stocks the inventory, inputs the inventory into the system, fills commissary orders, deducts the inventory from the system, and deducts cost of inventory from inmate balances.
- Receipts are not issued for purchase of e-cigarettes or phone cards.
- One employee receives monies from inmate’s property, inputs receipted money into system, prepares deposits, and issues checks.
- Deposits are not made daily.
- Commissary and communication contracts were not approved by the Board of County Commissioners.
- The Sheriff’s office was unable to provide current contracts with the commissary vendors.
- Receipts are not clearly marked for the purpose of the inmate trust fund.
- Receipts are not issued in numerical order.
- The inmates’ ledger balances are not being reconciled to the bank statements each month.
- The Sheriff’s office did not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of the year.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following exceptions were noted:

- Checks are being issued to vendors for commissary items.
- Checks are being issued to other individuals rather than to the inmate.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends the following:

- 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.
- All contracts should be renewed and approved by the Board of County Commissioners yearly.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- Expenditures should be made from the Sheriff's Commissary Fund in accordance with 19 O.S. § 180.43.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- Receipts issued should bear the name of the office and account, and should be pre-numbered, duplicate receipts, issued in sequential order for all monies collected.

Management Response:

County Sheriff:

- One employee will purchase phone cards and e-cigs, and another employee will perform the inventory and stocks the inventory items. Then another employee will sell and deduct the cost from the inmate's accounts in the system.
- Only monies that are received are money orders in the inmates name and a pre-numbered receipt will be issued. The following will be implemented: One employee will gather money orders and writes receipts, a different employee will enter the receipts on the books and prepares deposit, and a third employee will take deposit to the bank in a locked bag.
- Deposits will now be made daily.
- All contracts will go before the BOCC and will be up to date and on file.
- Pre-numbered receipts will be printed "Inmate Trust Fund" We have now started using only one printed pre-numbered receipt book for "Inmate Trust Fund" and one printed pre-numbered book for "Cash Bonds", both are clearly marked.
- Bank Statements are now being reconciled monthly.
- A Commissary Fund annual report will be filed with the BOCC annually.
- The only checks written from the Inmate Trust Fund Checking Account will be written to inmates.
- All missing receipts have now been found.

Criteria: The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. In addition, two authorized signatures should be required on all inmate trust account checks, bank reconciliations should be performed each month, and contracts should be approved by the Board of County Commissioners.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Title 19 O.S. § 180.43 D. states in part, "...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Title 19 O.S. § 531 A. states in part, "...The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account"... The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Finding 2014-15 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping processes regarding fixed assets, the following was noted:

No inventory list or documentation of an annual review was on file with the County Clerk's office for the following offices:

- County Commissioner District 1
- County Commissioner District 2 is performing a periodic review of fixed assets. However, it was not filed with the County Clerk's office.
- County Commissioner District 3
- County Treasurer
- County Election Board

The following offices did not have documentation of an inventory review:

- County Clerk
- County Sheriff

Cause of Condition: Policies and procedures have not been designed to ensure inventory is being properly accounted for and updated with the office of the County Clerk.

Effect of Condition: These conditions resulted in noncompliance with state statute.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

Management Response:

County Commissioner District 1: The District 1 inventory list is on file at the Clerk's office; however, we were not aware that an annual review was required. We will begin completing an annual review of the inventory list at the Clerk's office going forward.

County Commissioner District 2: The fixed asset records are now filed in a fire proof safe in our office and checked approximately every 6 months per the last OSAI and we will take a copy to the county clerk's office.

County Commissioner District 3: We do have an up-to-date and accurate inventory list at District 3. We also have an accurate list at the County Clerk's office. Our office did fail to send notice to the Clerk's office to stamp our inventory list to a 2016 status.

County Clerk: The County Clerk's Office has been doing the inventory reviews each year but we were unable to provide signed documentation for FY14. We weren't aware the other departments should file a signed copy of their inventory reviews with the County Clerk's Office. From this date forward we are having each department file a signed copy each year with our office.

County Election Board: An audit of the Muskogee County Election Board found that there were no inventory records for the office found in the Office of the Muskogee County Clerk. Also absent from the County Clerk's Office was an annual review of the inventory of the Muskogee County Clerk. Upon inspection it was found that there were two inventory books located within the election board office. The books were duplicates and one book was supposed to be on file with the Muskogee County Clerk. One of the books was taken and filed with the Muskogee County Clerk thereby remedying one of the two deficiencies. The second deficiency of an annual inventory report not being on file was an oversight due to my lack of knowledge of the annual requirement. Having been notified of the requirement, an annual report of the inventory will be submitted for the current fiscal year and for future years going forward.

County Treasurer: We will make sure and provide verification of inventory from our office to the records in the County Clerk's office and will have it signed and filed.

County Sheriff: An inventory review will be done annually and filed with the County Clerk.

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

Title 19 O.S. § 178.1 states in part, "...The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus,

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and annually thereafter..."

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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: 1678, 1712, 1752, 1754

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Procurement and Suspension and Debarment.

QUESTIONED COSTS: \$747.32

Finding Summary: When performing testwork 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: Management does not feel this warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

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, 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-

Finding Summary: 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: Management does not feel this warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding 2010-22 – County Wide 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, 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 and Suspension and Debarment; and Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

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

Status: Management does not feel this warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2011-5 – County-Wide Internal Controls Over Major Programs – CDBG and Economic Adjustment Assistance (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Commerce, Direct Grant

FEDERAL AGENCY: United States Department of Housing and Urban Development, United States Department of Commerce

CFDA NO: 14.228, 11.307

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Economic Adjustment Assistance

FEDERAL AWARD NUMBER: 13256 CDBG 08, 13539 CDBG 08, 08-79-73007

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

QUESTIONED COSTS: -\$0-

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

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Status: Management does not feel this warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2011-6 – Lack of Internal Controls Over Federal Compliance Requirements – CDBG and Economic Adjustment Assistance (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce, Direct Grant

FEDERAL AGENCY: United States Department of Housing and Urban Development, United States Department of Commerce

CFDA NO: 14.228, 11.307

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Economic Adjustment Assistance

FEDERAL AWARD NUMBER: 13256 CDBG 08, 13539 CDBG 08, 08-79-73007

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Muskogee County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Status: Management does not feel this warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2012-5 – County-Wide Internal Controls Over Major Programs – Economic Adjustment Assistance (Repeat Finding)

FEDERAL AGENCY: United States Department of Commerce

CFDA NO: 11.307

FEDERAL PROGRAM NAME: Economic Adjustment Assistance

FEDERAL AWARD NUMBER: 08-79-73007

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

QUESTIONED COSTS: -\$0-

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

Status: Management does not feel this warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2012-6 – Lack of Internal Controls Over Federal Compliance Requirements – Economic Adjustment Assistance (Repeat Finding)

FEDERAL AGENCY: United States Department of Commerce

CFDA NO: 11.307

FEDERAL PROGRAM NAME: Economic Adjustment Assistance

FEDERAL AWARD NUMBER: 08-79-73007

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

QUESTIONED COSTS: -\$0-

Finding Summary: During the process of documenting the county's internal controls regarding federal disbursements, we noted that Muskogee County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Status: Management does not feel this warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.



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