

STATUTORY REPORT

# MUSKOGEE COUNTY TREASURER

April 30, 2013



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**KELLY GARRETT, COUNTY TREASURER  
MUSKOGEE COUNTY, OKLAHOMA  
TREASURER STATUTORY REPORT  
APRIL 30, 2013**

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# Oklahoma State Auditor & Inspector

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October 15, 2013

BOARD OF COUNTY COMMISSIONERS  
MUSKOGEE COUNTY COURTHOUSE  
MUSKOGEE, OKLAHOMA 74401

Transmitted herewith is the Muskogee County Treasurer Statutory Report for April 30, 2013. The engagement was conducted in accordance with 74 O.S. § 212.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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



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Kelly Garrett, Muskogee County Treasurer  
Muskogee County Courthouse  
Muskogee, Oklahoma 74401

Dear Ms. Garrett:

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures:

- Determine whether bank reconciliations are properly performed, visually verify the certificates of deposit, and confirm the investments.
- Determine whether subsidiary records are reconciled to the general ledger.
- Determine whether deposits and invested funds are secured by pledged collateral.

All information included in the bank reconciliations, the investment ledger, the subsidiary ledgers, and the general ledger is the representation of the County Treasurer.

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

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

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

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

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

May 15, 2013

## SCHEDULE OF FINDINGS AND RESPONSES

### **Finding 2013-1—Segregation of Duties**

**Condition:** The County Treasurer’s office is reconciling the general account and the official depository fund to the bank statements. However, the employees that perform these tasks are also issuing receipts, preparing deposits, reconciling the deposit slips, and posting receipts to the general ledger. Furthermore, 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 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:** Procedures have not been designed and implemented to adequately segregate the duties regarding the collections process.

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

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the following key accounting functions of the Treasurer’s office be adequately segregated:

- Issuing receipts
- Preparing/reviewing deposits and taking them to the bank
- Maintaining accounting ledgers and reconciling bank statements

In addition OSAI recommends establishing a system of controls to adequately safeguard the collections of the Treasurer’s office, which include but are not limited to the following:

- A daily log of mailed in payments should be compiled.

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

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**Management Response:** We recognize that because of the skill set of the employees in the office, in addition to the limited personnel that we had in the office, we have not been able to segregate these duties as well as we would like. We have added additional personnel and will continue to work towards adequately segregating these duties. We will immediately begin performing and maintaining a mail log. Further, we are now sending employee's to the state sponsored training classes for the Treasurer's office. We believe that this will help our employee's gain the necessary skills so that we can cross train employees and further segregate duties within the office. The prior administration did not send employees to these classes.

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

**Finding 2013-2—Bank Reconciliation Not Performed – Employee Tax Account**

**Condition:** Based on test work performed, the bank reconciliation was not performed or approved by someone other than the preparer for the Employee Tax Account.

**Cause of Condition:** Procedures have not been designed to ensure all accounts are reconciled and approved.

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

**Recommendation:** OSAI recommends that bank reconciliations are performed on a monthly basis for all accounts. In addition, all bank reconciliations should be approved by someone other than the preparer and documentation should be retained to provide evidence reviews were performed.

**Management Response:** Going forward, this account will be reconciled and approved by the Treasurer.

**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, approved by someone other than the preparer, and documentation retained to provide evidence of review.



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