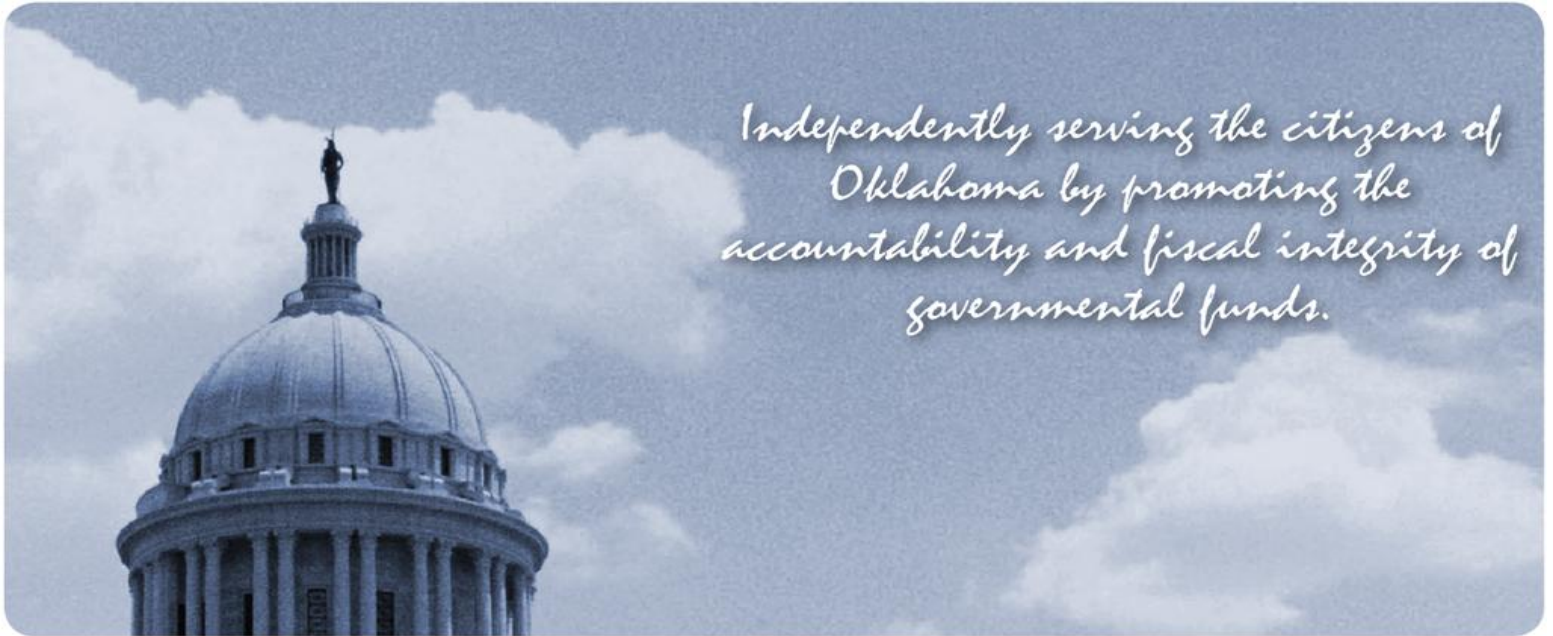


STATUTORY REPORT

# MUSKOGEE COUNTY TREASURER

April 29, 2016



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**KELLY GARRETT, COUNTY TREASURER  
MUSKOGEE COUNTY, OKLAHOMA  
TREASURER STATUTORY REPORT  
APRIL 29, 2016**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://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

October 6, 2016

BOARD OF COUNTY COMMISSIONERS  
MUSKOGEE COUNTY COURTHOUSE  
MUSKOGEE, OKLAHOMA 74401

Transmitted herewith is the Muskogee County Treasurer Statutory Report for April 29, 2016. 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". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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



# Oklahoma State Auditor & Inspector

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

Dear Mr. 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 that reads "Gary A. Jones".

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

August 10, 2016

**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-4 – Material Misstatement of General Ledger**

**Condition:** While confirming the bank balances at the Muskogee County Treasurer’s office, the following misstatements regarding the general ledger were noted:

- There was a \$34,923,016.19 variance between the general ledger and the bank balance in the general account. Upon further investigation, we noted that the Treasurer’s office had been electronically remitting warrants to the cities, towns, and schools. These remittances were not recorded on the general ledger from June 2015 to present.
- There was a \$146,418.36 variance between the general ledger and the GO Bonds bank account balance. Upon further investigation, we determined that there were two deposits in April 2016 totaling this amount that were recorded in error to the GO Bonds account. They were deposited into the general account but recorded as deposits on the GO Bonds account on the general ledger.
- The Bank of Oklahoma trust fund had been added as a bank account on the general ledger and reflected a balance of \$289,573.17 and the bank confirmation reflected \$22,140.
- There was a \$14,495.24 certificate of deposit that was obtained in June 2015 that was not posted on the general ledger.
- There was a certificate of deposit listed on the general ledger with a balance of \$68,102.08 that was closed in December 2014.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and accurately presented on the general ledger.

**Effect of Condition:** These conditions resulted in unrecorded transactions, misstated financial reports, and undetected errors.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that all accounts of the County Treasurer be reconciled monthly. Any variances or discrepancies should be researched immediately and be corrected in a timely manner.

**Management Response:**

**County Treasurer:** The general ledger will be updated to reflect electronic remittances. All certificates of deposits will be listed on the general ledger and the closed certificates of deposits will be removed from the general ledger. The erroneous deposits on the GO Bonds account will be corrected and the proper balance will be reflected on the general ledger. Additionally, we have employed the service of a

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CPA to help bring our bank reconciliations up to date. In the future, all accounts will be reconciled daily, weekly, or monthly.

The Bank of Oklahoma trust fund was opened when the general obligation bonds were turned over to the Bank of Oklahoma.

The Treasurer’s office is anticipating to have fully complied with the findings by October 1<sup>st</sup>, 2016, and will do everything in its power to eliminate such audit findings in the future.

**Auditor Response:** It is the duty of the County Treasurer to oversee that the daily operations of the office are accurately performed to ensure the county assets are safeguarded from misappropriation or loss.

**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 that financial records are timely reconciled and financial ledgers are maintained in an accurate and complete manner. Further, good internal controls would include proper monitoring and reviews for accuracy of financial information.

**Finding 2016-2 – Bank Reconciliations (Repeat Finding)**

**Condition:** The County’s General Fund bank account has not been reconciled since December 2014. Additionally, we noted the Independent School District, Protest, GO Bonds, and General accounts had not been reconciled. Upon review of bank statement balances, we noted the following variances between the general ledger balance and the bank balance:

<b>Firststar Account</b>	<b>Bank Balance</b>	<b>Interest Not on G/L and Deposits in Transit</b>	<b>General Ledger Balance</b>	<b>General Ledger Overstated</b>
General Account	\$24,910,651.57	-	\$59,833,667.76	\$34,923,016.19
Independent School District	\$410,326.40	(\$130.01)	\$339,746.02	(\$70,450.37)
Protest	\$6.14		(\$4.60)	(\$10.74)
GO Bonds	\$14,495.24	\$135,975.05	\$160,913.60	\$10,443.41

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<b>Bank of Oklahoma Account</b>	<b>Bank Balance</b>	<b>Interest and Fees Not on G/L</b>	<b>General Ledger Balance</b>	<b>General Ledger Overstated</b>
General Account	\$3,030,502.44	(\$176.87)	\$3,030,259.37	(\$66.20)

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure a true and accurate monthly reconciliation occurs between the general ledger and the corresponding bank accounts.

**Effect of Condition:** These conditions resulted in unidentified variances, unrecorded transactions, misstated financial reports, undetected errors, and clerical errors that were not detected in a timely manner. Further, these conditions could result in misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Bank reconciliations are performed monthly for all accounts.
- All reconciliations should be signed and dated by the preparer and the reviewer.

**Management Response:**

**County Treasurer:** The Treasurer’s office is working with a Certified Public Accountant (CPA) to understand where and what the variances are and how they occurred. We have also requested training from our software provider to utilize our system and ensure that these variances do not occur in the future. These issues will be corrected.

**Auditor Response:** To safeguard the County’s assets bank reconciliations should be performed on a monthly basis.

**Criteria:** Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal controls.

**Finding 2016-3 – Reconciliation of Investment Ledger to General Ledger**

**Condition:** The County Treasurer’s investment accounts are not reconciled to bank balances. In addition, the County Treasurer’s investment ledger is not maintained on an ongoing basis or reconciled to the general ledger. The following was noted during a review of the County Treasurer’s office:

- Four (3) certificates of deposit have not been updated on the general ledger since 2013 and one (1) has not been up dated since 2015.

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- Maturity dates, interest rates, and interest payments are not recorded and/or updated on the investment ledger for seven (7) certificates of deposit.
- A certificate of deposit acquired on June 17, 2015, in the amount of \$14,885.14, was not listed on the investment or the general ledger.
- There is a certificate of deposit account registry service (CDARS) account that contains \$1,523,417.87 that is not listed on the investment ledger. The balance was updated on the general ledger.
- The investment ledger balance for a savings account was \$14,495.24, but the general ledger balance for this savings account was \$160,913.60 resulting in a variance of \$146,426.97.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and accurately presented on the general ledger or investment ledger.

**Effect of Condition:** These conditions resulted in unrecorded transactions, misstated financial reports, and undetected errors.

**Recommendation:** OSAI recommends that the investment ledger be maintained and reconciled to the general ledger on a monthly basis. Also, any variances or discrepancies should be researched immediately and be corrected in a timely manner.

**Management Response:**

**County Treasurer:** The general ledger will be updated to include all investments and to remove the certificate of deposit that is closed. The investment ledger will be updated to include all investments and to reflect current interest rates, maturity dates, current balances, and record of interest payments. The savings account variance of \$146,426.97 will be corrected and the general ledger balance will reflect the proper balances.

Our software vendor is training my staff to utilize the system to reconcile the investment ledger to the general ledger.

**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 that financial records are timely reconciled and financial ledgers are maintained in an accurate and complete manner. Further, good internal controls would include proper monitoring and reviews for accuracy of financial information.

**Finding 2016-4 – Subsidiary Ledger not Reconciled to the General Ledger**

**Condition:** Based on testwork performed, we noted the following variances between the subsidiary ledgers/monthly remittance reports and the general ledger:



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Ledger	Subsidiary Ledger Balance	General Ledger Balance	General Ledger Overstated
Cities and Towns	\$65,469.67	\$845,954.00	\$780,484.33
Individual Schools	\$4,134,543.26	\$30,216,778.23	\$26,082,234.97
Vo-Tech	\$725,538.23	\$5,001,371.46	\$4,275,833.23
School District General	\$107,554.23	\$615,256.63	\$507,702.40

Additionally, we noted that the subsidiary ledgers are not reconciled on a monthly basis.

**Cause of Condition:** Policies and procedures have not been designed and implemented to monitor and reconcile subsidiary accounts to the general ledger.

**Effect of Condition:** This condition could result in incomplete and inaccurate amounts being reported on the general and subsidiary ledgers.

**Recommendation:** OSAI recommends that the municipal and school subsidiary ledgers be maintained and reconciled to the general ledger on a monthly basis.

**Management Response:**

**County Treasurer:** We are aware that the subsidiary ledger balances are incorrect due to our office not reflecting electronic remittance to the cities, towns, and schools. This will be corrected after receiving training from our software provider. These findings will not occur again.

**Criteria:** Safeguarding controls are an important aspect of internal controls. Safeguarding controls relates to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as maintaining subsidiary ledgers and reconciling them to the general ledger, are deficiencies in internal controls.



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)