

STATUTORY REPORT

MUSKOGEE COUNTY TREASURER

October 31, 2016



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

**KELLY GARRETT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
OCTOBER 31, 2016**

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Oklahoma State Auditor & Inspector

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

May 12, 2017

BOARD OF COUNTY COMMISSIONERS
MUSKOGEE COUNTY COURTHOUSE
MUSKOGEE, OKLAHOMA 74401

Transmitted herewith is the Muskogee County Treasurer Statutory Report for October 31, 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 written in a cursive style with a long, sweeping underline.

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 Kelly:

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.

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

November 21, 2016

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-01 – Material Misstatement of General Ledger (Repeat Finding)

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 \$470,902 variance between the general ledger and the bank balance in the general account. The County Treasurer’s office has not reconciled this account since December, 2014.
- The Bank of Oklahoma (BOK) trust fund had been added as a bank account on the general ledger and reflected a balance of \$289,573 and the bank confirmation reflected \$88,479.
- There was a \$14,898 certificate of deposit that was obtained in June 2015 that was not posted on the general ledger.
- Firststar Protest Account was not listed on the general ledger and had a bank balance of \$6.

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: In reference to the variance between the general account and the general ledger, I have employed a consultant to assist this elected office in creating systematic reconciliation with all banks accounts. The variance noted in the general ledger is being reconciled by our consultants, who are working with our office to overcome this problem. Currently, this account has been balanced through October 2016. My staff and consultants inform me that Muskogee County should be current on reconciliations within four to six weeks.

The BOK Trust fund issue is currently being addressed by BOK. Our staff has had training with BOK for the purpose of creating a spreadsheet for the auditor’s convenience. I believe that this discrepancy will be repaired.

As to the certificate of deposit not posted on the general ledger, we are working to get this repaired.

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The Firststar Protest account discrepancy is under review. Inquiries are being made to address and correct this issue.

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 2017-2 – Bank Reconciliations (Repeat Finding)

Condition: The County’s general bank account has not been reconciled since December 2014. Additionally, we noted the GO Bonds, Court Clerk, and Trust Fund accounts have not been reconciled. Also, the Protest account was not listed on the general ledger. Upon review of bank statement balances, we noted the following variances between the general ledger balance and the bank balance:

Firststar Account	Bank Balance	General Ledger Balance	General Ledger Overstated/ Understated
General Account	\$19,721,021	\$20,191,924	\$470,902
Protest	\$6	-	(\$6)
GO Bonds	\$14,550	\$14,159	(\$391)

Bank of Oklahoma Account	Bank Balance	General Ledger Balance	General Ledger Overstated
Trust Fund	\$88,479	\$289,573	\$201,094

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate monthly reconciliations occur between the general ledger and the corresponding bank accounts.

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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 general fund reconciliation is a work in progress. My staff and I have been working with an independent consultant for approximately four months. We have reconciled the general bank account to as current as October, 2016. I am told that we can expect to be completely reconciled within six weeks. Significant progress has been made and steps are being devised to avoid this problem in the future. Omissions of accounts have been noted and solutions are being discussed.

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 2017-3 – Reconcilement of Investment Ledger to General Ledger (Repeat Finding)

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:

- Maturity dates, interest rates, and interest payments are not recorded and/or updated on the investment ledger.
- There is a certificate of deposit account registry service (CDARS) account that contains \$1,527,263 that is not listed on the investment ledger. The balance has not been updated on the general ledger and has a variance of \$27,263.
- A certificate of deposit acquired on June 17, 2015, with a current balance of \$14,898 was not listed on the investment or the general ledger.

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.

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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 First Deputy and our consultants have discussed and plan to update our investment ledger. We believe the creation of a more efficient ledger will assist this office in this kind of oversight in the future.

As to investments not recorded, we are certain of the existence of that data. I expect results within a matter of months.

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 2017-4 – Monthly Reports

Condition: Monthly reports are not being prepared and have not been submitted to OSAI since June 2015.

Cause of Condition: Policies and procedures have not been designed and implemented to prepare monthly reports and submit in a timely manner to OSAI.

Effect of Condition: This condition resulted in monthly reports not being prepared and submitted.

Recommendation: OSAI recommends that the County Treasurer implement controls to ensure monthly reports are completed and submitted to OSAI in a timely manner.

Management Response:

County Treasurer: I am in complete agreement with this finding and assure you that I have had numerous meetings with my senior staff on this matter. OSAI reports dating back to December 2014 are being corrected and prepared for delivery to the State Auditor. My consultant reports that monthly reports are now reconciled to October 2016. I anticipate having reports submitted to OSAI within six weeks.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation.

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Further, good internal controls would include the timely completion and review of financial information to be submitted on a monthly basis as required.



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2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

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