

STATUTORY REPORT

MUSKOGEE COUNTY TREASURER

March 30, 2018



*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
MARCH 30, 2018**

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) 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

July 17, 2018

BOARD OF COUNTY COMMISSIONERS
MUSKOGEE COUNTY COURTHOUSE
MUSKOGEE, OKLAHOMA 74401

Transmitted herewith is the Muskogee County Treasurer Statutory Report for March 30, 2018. 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



Oklahoma State Auditor & Inspector

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

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

June 26, 2018

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-01 – 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:

Firststar Bank

- A certificate of deposit in the amount of \$31,398 was listed on the general ledger as of March 30, 2018. However, this certificate of deposit was redeemed on October 12, 2017.
- A certificate of deposit in the amount of \$15,093 was not listed on the general ledger.

Bank of Oklahoma

- A certificate of deposit account registry service (CDARS) account in the amount of \$1,009,497 was not listed on the general ledger.
- A certificate of deposit in the amount of \$1,000,000 was listed on the general ledger. This certificate of deposit was redeemed on June 23, 2017.

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 corrected in a timely manner.

Management Response:

County Treasurer: The auditor points out that the general ledger omits or does not list certificates of deposits and a CDARS account, or the activity associated with such accounts. We have and continue to work on the general ledger and will continue to make correction as quickly as possible. I can assure the auditor that we, in this office, can account for the activity in each issue and recognize that we have failed to record such as called for by state statute.

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 review for accuracy of financial information.

**KELLY GARRETT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
MARCH 30, 2018**

Finding 2018-02 – Reconciliation 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 for six certificates of deposits.
- A CDARS account that contains \$1,542,565 is not listed on the investment ledger. The balance has not been updated on the general ledger and has a variance of \$42,565.
- A CDARS account that contains \$1,009,497 that is not listed on the investment ledger or the general ledger.
- A certificate of deposit had a \$0 balance, but it is recorded on the investment and general ledger in the amount of \$31,398.
- A certificate of deposit had a balance of \$15,093, which is not recorded on the investment or the general ledger.
- A certificate of deposit had a \$0 balance, but it is recorded on the investment and general ledger in the amount of \$1,000,000.

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 corrected in a timely manner.

Management Response:

County Treasurer: I respectfully report that this is a work in progress. This officer is now charged with that duty. This elected official and others in this office are and always have been fully informed on how and where the County’s invested monies are located; however, the auditor’s finding correctly reports that there is little or no correlation to the general ledger. I can assure OSAI that this finding is being addressed even as I prepare this report. I am seeking guidance on how that may be best reported in the future.

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

**KELLY GARRETT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
MARCH 30, 2018**

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.



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

WWW.SAI.OK.GOV