



MUSKOGEE COUNTY TREASURER

Statutory Report

February 28, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**KELLY GARRETT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
FEBRUARY 28, 2019**

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.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

August 26, 2019

BOARD OF COUNTY COMMISSIONERS
MUSKOGEE COUNTY COURTHOUSE
MUSKOGEE, OKLAHOMA 74401

Transmitted herewith is the Muskogee County Treasurer Statutory Report for February 28, 2019. 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 28, 2019



SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-001 – Subsidiary Ledger Not Reconciled to General Ledger

Condition: Reconciliations were not performed between the cities and towns and schools' subsidiary ledgers and the funds listed on the general ledger. Additionally, we noted the following:

- An unidentified variance of \$10,077 was noted for cities and towns.

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 ledger and the subsidiary ledgers.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the subsidiary ledgers be maintained and reconciled to the general ledger on a monthly basis.

Management Response:

County Treasurer: My Chief Deputy and First Deputy are unaware of what the subsidiary ledger is. I am sure that we can accomplish this task when advised and learn what this ledger is.

Criteria: Safeguarding controls are an important aspect of internal control. 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 maintaining subsidiary ledgers and reconciling them to the general ledger, are deficiencies in internal control.

Finding 2019-004 – Bank Reconciliations

Condition: Upon review of bank reconciliations performed by the County, we noted that the County did not maintain documentation for all reconciling items and could not provide documentation for the following variances:

Firststar - Official Depository Account:

- \$47 was noted as an outstanding deposit at the bank; however, it was deposited on February 22, 2019. Therefore, this was not a reconciling item.
- \$70 deposit could not be traced to the accounting records.
- \$11,204 was recorded as interest outstanding from November 1, 2019 – February 28, 2019; however, the amount of interest paid by the bank for the time period was \$14,252.
- \$67 was noted as an outstanding deposit in the accounting records; however, we could not verify the deposit in the bank nor the accounting ledgers.

**KELLY GARRETT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
FEBRUARY 28, 2019**

Firststar - Employees Tax Account:

- The Employees Tax Account (EFTPS) is not reconciled to the general ledger.

Firststar - General Fund Account:

- \$200 deposit error on February 21, 2019 has not been updated in the accounting records.
- \$48 insufficient check on January 31, 2019 has not been reflected in the accounting records.
- \$100 deposit received at the bank on January 3, 2019 has yet been identified in the accounting system.
- \$6,210, \$697, and \$536 electronic funds transfer (EFT) were received at the bank on July 9, 2018, December 17, 2018, and January 11, 2019, respectively. However, these deposits have yet to be reflected in the accounting records.
- \$96 deposit supporting documentation could not be located in the accounting ledgers nor the banking activity.

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.

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.
- All reconciling items should be updated in the accounting records in a timely manner.

Management Response:

County Treasurer: Official Depository - \$47 was on the wrong date. This matter was reconciled on February 22, 2019. As to the \$70 deposit, the Official Depository Clerk was not informed of such deposit and has been unable to trace the amount. More information is needed. The third and fourth bullet in this paragraph have been corrected.

Firststar Employee Tax Account - This issue has been resolved.

Firststar General Fund - Chief Deputy is working on updating the accounting records presently. We anticipate reconciling this issue by the end of May 2019. Additionally, the EFT dates in question appear to be Sheriff monies though the Sheriff's Office is unable to provide information or documentation to that effect. We believe that said monies should be deposited in County General should the recipient be unable to identify such EFT's.

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.

**KELLY GARRETT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
FEBRUARY 28, 2019**

Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal controls.

Finding 2019-005 – 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. 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.

Additionally, the County Treasurer electronically wired a total of \$289,573 in fiscal year 2016 to the Bank of Oklahoma (BOK) in accordance with their service agreement for bond payments; however, instead of deducting the amount from the General Obligation Bonds fund on the general ledger, the County Treasurer added a Bank of Oklahoma (BOK) Trust Fund bank account to 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.

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

Recommendation: 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 first certificate of deposit has been removed from the general ledger while the second has been added to the general ledger. I have spoken with a representative of BOK who advised that the account in question is closed. She believes that the account closed at the point monies were wire transferred. We have removed this account from the general ledger. This infraction occurred due to our negligence.

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.

**KELLY GARRETT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
FEBRUARY 28, 2019**

Finding 2019-006 – Reconciliation of Investment Ledger to General Ledger (Repeat Finding)

Condition: The County Treasurer is not maintaining an investment ledger and investments are not reconciled to bank balances. In addition, we could not locate one (1) original Certificate of Deposit documentation.

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: We are working to rectify this finding and in doing so avoid any future issues with the investment 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.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov