



MUSKOGEE COUNTY TREASURER TURNOVER

Statutory Report

June 28, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**COUNTY OFFICER TURNOVER STATUTORY REPORT
KELLY GARRETT
MUSKOGEE COUNTY TREASURER
JUNE 28, 2019**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, 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

January 17, 2020

BOARD OF COUNTY COMMISSIONERS
MUSKOGEE COUNTY COURTHOUSE
MUSKOGEE, OKLAHOMA 74401

Transmitted herewith is the Muskogee County Officer Turnover Statutory Report for June 28, 2019. The engagement was conducted in accordance with 19 O.S. § 171.

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

For the purpose of complying with 19 O.S. § 171, we have performed the following procedures for June 28, 2019:

- Verify that equipment items on hand agree with inventory records maintained per 19 O.S. § 178.1.
- Verify that the amount of total claims approved for the operation of said Office is not in excess of limitations imposed by 19 O.S. § 347.
- Verify that a monthly report of the Office is on file with the County Clerk per 19 O.S. § 684.
- Verify that the Office is not exceeding the maximum amount of cash authorized for their change needs per 19 O.S. § 682.
- Verify that the County Treasurer's account balances reconcile with bank records, and that all funds are properly covered by pledged collateral per 62 O.S. § 511.

Information addressed in this report is the representation of the respective county officer.

Our county officer turnover engagement was limited to the statutory procedures described above and was less in scope than an examination or audit performed in accordance with auditing standards generally accepted in the United States of America, the objective of which would be the expression of an opinion. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use of the management of the County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 16, 2019



**COUNTY OFFICER TURNOVER STATUTORY REPORT
KELLY GARRETT
MUSKOGEE COUNTY TREASURER
JUNE 28, 2019**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-001 – Inadequate Controls and Noncompliance Over Fixed Assets

Condition: Upon inquiry and observation of the recordkeeping process regarding fixed assets, we noted that no inventory list was on file with the County Clerk’s office for the County Treasurer’s office.

While comparing the Treasurer’s fixed assets cards to the inventory on hand, the following exceptions were noted:

- Five (5) items listed on the fixed asset cards could not be located:

Item/Description	Serial number
HP MICR printer with extra tray	CNB9713395
Panasonic KXE 7000 electronic typewriter	070008KM37A16348
Duplo-Seiko paper burster reconditioned	3035275
Minolta Di2510 printer	31725379
HP Computer	USH034033D
Epson LQ 2080 printer	BHLY024727

- (7) items that appeared to be valued over \$500.00 were found in the Treasurer’s office, however, there was not a fixed asset card on file:
 - Kyocera Ecosys M5521 CDW printer
 - Kyocera Ecosys P3050DN printer
 - HP Prodesk computer with ViewSonic monitor
 - Martin Yale 6200 folding machine
 - Lenovo E32 Thinkstation computer and monitor
 - Hp Prodesk computer with ViewSonic monitor
 - Tripplite server

Cause of Condition: Policies and procedures have not been designed and implemented over the County’s fixed assets to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The

COUNTY OFFICER TURNOVER STATUTORY REPORT
KELLY GARRETT
MUSKOGEE COUNTY TREASURER
JUNE 28, 2019

verification should be performed by an individual independent of the fixed asset recordkeeping process. OSAI also recommends inventory records be maintained and updated in the County Clerk's office in accordance with 19 O.S. § 178.2.

Management Response:

Current County Treasurer: Inventory errors were made prior to this administration which began July 1, 2019. Current administration immediately implemented office policies and procedures to address this and many other issues. This has been corrected by current administration. Our office immediately assigned an inventory clerk, who is managed by the office manager. An inventory ledger has been created with fixed asset cards and photographs and it is updated regularly. A current inventory ledger has been filed with the County Clerk by this administration.

Criteria: The United States Government Accountability Office's Standards for Internal Control in the Federal Government (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards - Principle 10 – Design Control Activities - 10.03 states, in part:

Design of Appropriate Types of Control Activities

Management establishes physical control to secure and safeguard vulnerable assets.
Management periodically counts and compares such assets to control records.

Title 19 O.S. § 178.1 states, in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into the custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and annually thereafter...

Title 19 O.S. § 178.2 states:

It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all

**COUNTY OFFICER TURNOVER STATUTORY REPORT
KELLY GARRETT
MUSKOGEE COUNTY TREASURER
JUNE 28, 2019**

uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act. It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk.

Finding 2019-002 – Noncompliance Over Official Depository Monthly Fee Reports

Condition: Upon inquiry with the County Clerk, we noted that the County Treasurer is not preparing and submitting a monthly fee report to the County Clerk’s office in accordance with 19 O.S. § 684.

Cause of Condition: Policies and procedures have not been designed and implemented over the Treasurer’s Official Depository accounts to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes.

Recommendation: OSAI recommends the County Treasurer comply with 19 O.S. § 684 by preparing a monthly fee report of all of their official depository accounts and filing the report monthly with the County Clerk’s office.

Management Response:

Current County Treasurer: This error was made prior to this administration which began July 1, 2019. The current administration immediately implemented policies and procedures to address this and many other issues. A monthly fee report of all official depository accounts is prepared and filed with the County Clerk each month.

Criteria: Title 19 O.S. § 684 states:

All monies that shall be received during any calendar month by any county officer, county board, county commission or the members or employees of either thereof, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, - that is, transferred from the official account of the officer, board, commission or employee of either thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs, - by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall have been received; and it shall be the further duty of all such officers, boards, commissions, and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof.

**COUNTY OFFICER TURNOVER STATUTORY REPORT
KELLY GARRETT
MUSKOGEE COUNTY TREASURER
JUNE 28, 2019**

Finding – 2019-003 – Inadequate Internal Controls Over Investment Ledger

Condition: The County Treasurer’s investment ledger is not being updated and investments are not being reconciled to the bank balances.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all investments are accurately recorded on the investment ledger and balances are reconciled to the general ledger.

Effect of Condition: This condition resulted in unidentified variances and could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the investment ledger is updated and maintained on a monthly basis. All investments should be accurately recorded with current interest rates, maturity dates, and balances.

Management Response

Current County Treasurer: This error was made prior to this administration which began July 1, 2019. The current administration immediately implemented policies and procedures to address this and many other issues. This has been corrected by current administration. The current administration immediately implemented an investment strategy and ledger and reconciles with the bank balances monthly.

Criteria: GAO Principle 10 – Design Control Activities - 10.03 states, in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Finding 2019-004 – 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:

Firststar Bank:

- A certificate of deposit in the amount of \$31,398 was listed on the general ledger as of audit date, June 28, 2019. This certificate of deposit was redeemed on October 12, 2017.

COUNTY OFFICER TURNOVER STATUTORY REPORT
KELLY GARRETT
MUSKOGEE COUNTY TREASURER
JUNE 28, 2019

Armstrong Bank:

- A certificate of deposit in the amount of \$140,178 was listed on the general ledger as of audit date, June 28, 2019. This certificate of deposit was redeemed on March 28, 2019.

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 Trust Fund Bank account to the general ledger.

Additionally, we noted that the Health department has a cash drawer of \$150 that is not reported on 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. Additionally, all cash in offices should be recorded on the general ledger.

Management Response:

Current County Treasurer: These errors were made prior to this administration which began July 1, 2019. The current administration immediately implemented policies and procedures to address this and many other issues. The \$31,398 and \$140,178 CD errors have been reviewed, corrected and removed from the general ledger. The \$289,573 bank account was created incorrectly by prior administration and has been corrected and removed from the general ledger. The \$150 is being researched for the origin and will be corrected.

Criteria: GAO Standards - Principle 16 – Perform Monitoring Activities - 16.05 states, in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

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