

COUNTY AUDIT

MUSKOGEE COUNTY

For the fiscal year ended June 30, 2011



*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

**MUSKOGEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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

November 25, 2014

TO THE CITIZENS OF
MUSKOGEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Muskogee County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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, reading "Gary A. Jones".

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

**MUSKOGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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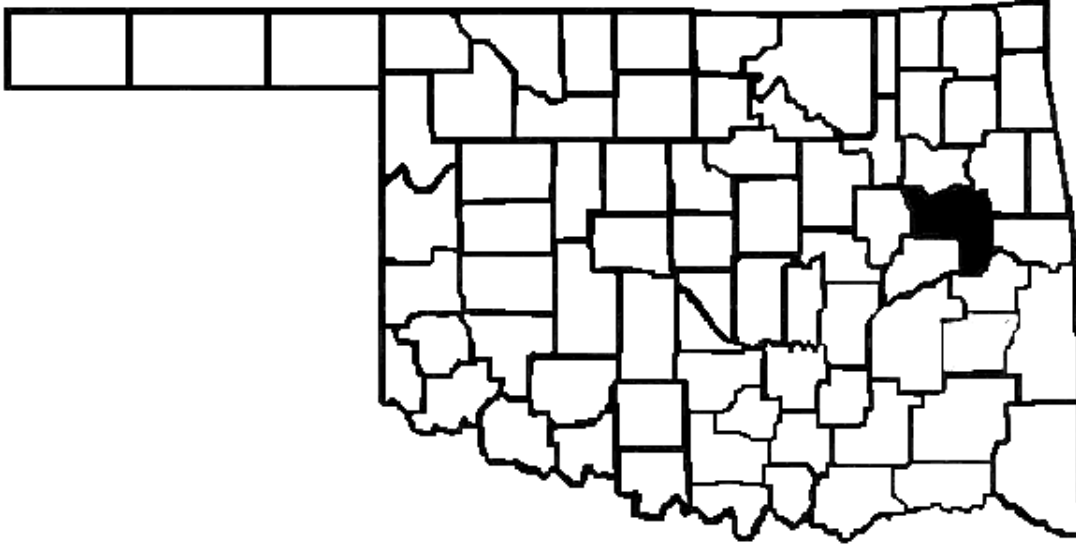
**MUSKOGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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INTRODUCTORY SECTION
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**MUSKOGEE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



Named for the Muscogee Creek Indians, Muskogee County was created at statehood. The city of Muskogee, the county seat, became the focal point for the Five Civilized Tribes when the Union Agency established its headquarters in what is now Honor Heights Park. The old Union Agency Building is now the Five Civilized Tribes Museum and the famous Azalea Festival is held in the park each April. The park is also home to the Garden of Lights in December.

Other attractions to the county include: USS *Batfish*, a World War II submarine anchored at the Port of Muskogee; Bacone College, established in 1879 as a university for Indians, and Bacone College Indian Museum; Fort Gibson Stockade, built in 1824 to protect area settlers and the oldest military post in Oklahoma; and Honey Springs Battlefield, site of the largest Civil War battle fought in Oklahoma.

Muskogee County's economy is based primarily on agriculture, but oil, industry, and recreation have also been part of the building of this county's economics. The City of Muskogee itself is within thirty minutes of five major lakes.

Historical Allies is a history book about Muskogee County and was written by John W. Morris and Edwin C. McReynolds. The Muskogee County Historical Society offers more information about the area, and a state tourist information center is located in Muskogee. For more information, call the county clerk's office at (918) 682-2169.

County Seat – Muskogee

Area – 838.99 Square Miles

County Population – 71,412
(2009 est.)

Farms –1,845

Land in Farms –374,372 Acres

Primary Source: Oklahoma Almanac 2011-2012

**MUSKOGEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Board of County Commissioners

District 1 – Gene Wallace
District 2 – Stephen Wright
District 3 – Dexter Payne

County Assessor

Dan Ashwood

County Clerk

Karen Anderson

County Sheriff

Charles Pearson

County Treasurer

Kelly Garrett

Court Clerk

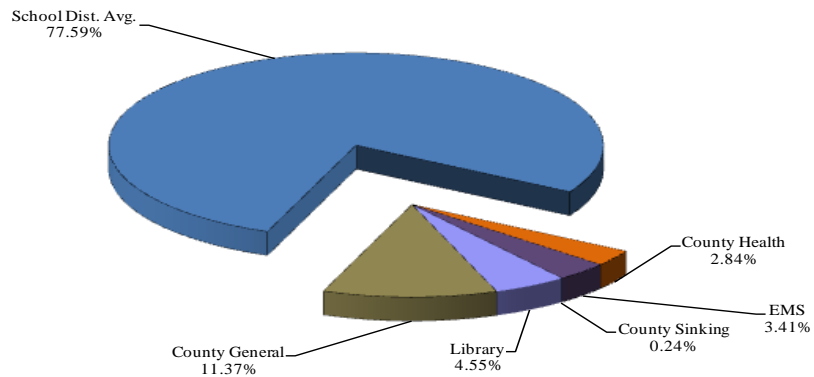
Paula Sexton

District Attorney

Larry D. Moore

**MUSKOGEE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

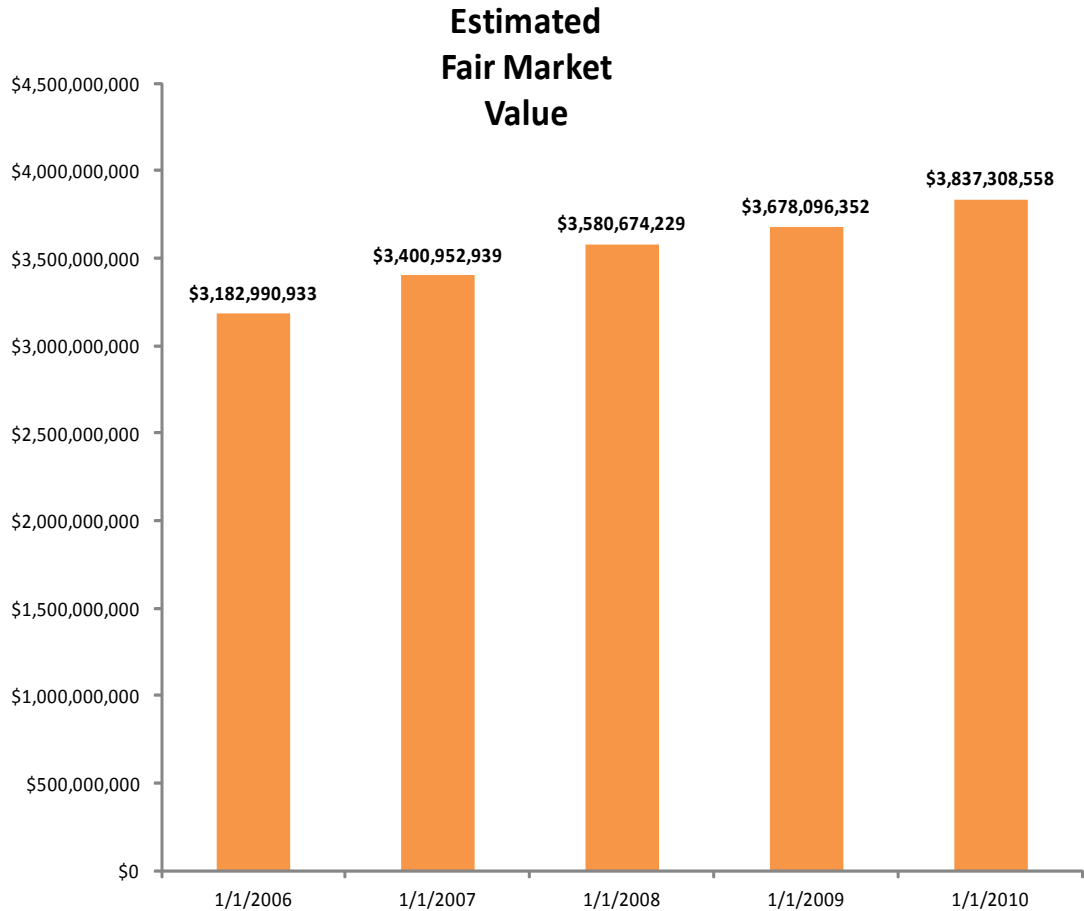
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.13								
County Health	2.53	Haskell	2	35.98	5.14	21.44	10.13	4.05	76.74
Library	4.05	Fort Gibson	3	35.16	5.02	12.08	10.13	4.05	66.44
EMS	3.04	Boynton	4	36.31	5.19	12.80	10.13	4.05	68.48
County Sinking	0.21	Webbers Falls	6	36.09	5.16	27.94	10.13	4.05	83.37
		Oktaha	8	36.68	5.24	25.67	10.13	4.05	81.77
		Wainwright	9	37.00	5.29	-	10.13	4.05	56.47
		Muskogee	20	35.40	5.06	18.02	10.13	4.05	72.66
		Hilldale	29	35.73	5.10	-	10.13	4.05	55.01
		Braggs	46	35.57	5.08	-	10.13	4.05	54.83
City Millages		Warner	74	35.93	5.13	9.60	10.13	4.05	64.84
Fort Gibson	5.37	Porum	88	36.16	5.17	29.77	10.13	4.05	85.28
Fort Gibson 3B-MUSK	0.79	Sequoyah	J-6	35.29	5.04	2.74	10.13	4.05	57.25
Muskogee	0.79	McIntosh	J-19	36.66	5.24	24.43	10.13	4.05	80.51
Hilldale	0.79	McIntosh	J-27	35.84	5.12	8.86	10.13	4.05	64.00

**MUSKOGEE COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

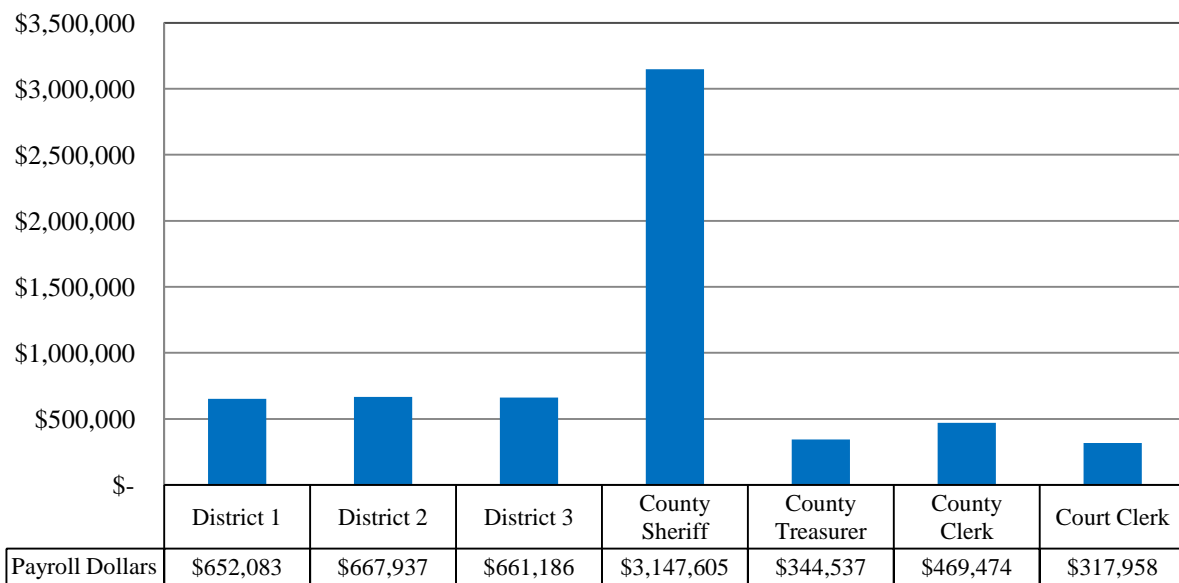
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$107,073,070	\$118,032,417	\$267,132,770	\$19,103,360	\$473,134,897	\$3,837,308,558
1/1/2009	\$102,269,240	\$117,685,623	\$254,189,885	\$18,891,173	\$455,253,575	\$3,678,096,352
1/1/2008	\$97,891,495	\$119,500,566	\$246,612,670	\$18,544,511	\$445,460,220	\$3,580,674,229
1/1/2007	\$88,922,735	\$123,154,554	\$233,305,660	\$18,116,282	\$427,266,667	\$3,400,952,939
1/1/2006	\$79,102,675	\$123,910,133	\$217,967,825	\$17,533,089	\$403,447,544	\$3,182,990,933



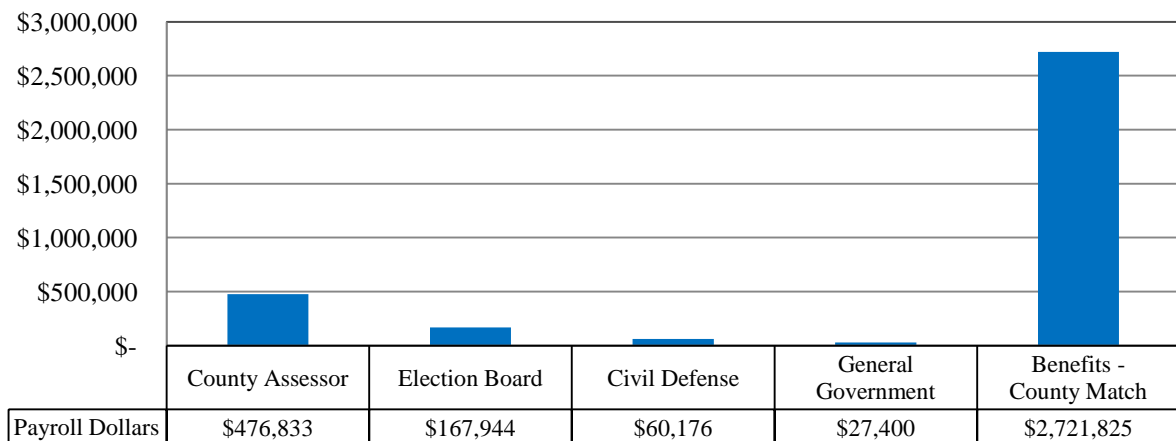
**MUSKOGEE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

Payroll Expenditures by Department



Payroll Expenditures by Department



**MUSKOGEE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

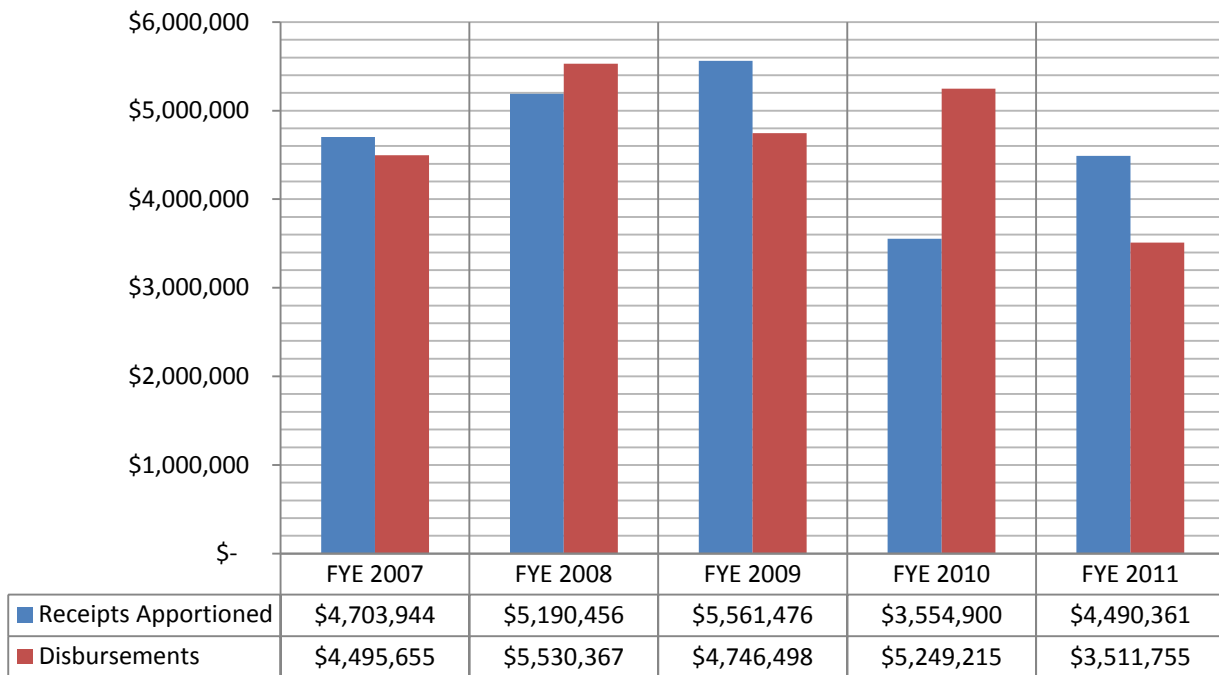
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**MUSKOGEE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Muskogee County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Muskogee County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Muskogee County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of Muskogee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "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

November 20, 2014

REGULATORY BASIS FINANCIAL STATEMENT

MUSKOGEE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General	\$ 2,768,700	\$ 5,906,408	\$ 600,000	600,000	\$ 6,178,408	\$ 2,496,700
Highway Cash	1,928,440	4,490,361	-	-	3,511,755	2,907,046
County Health	1,147,959	1,486,736	-	-	1,524,805	1,109,890
County Sinking	127,215	176,507	-	-	42,500	261,222
General Obligation Bonds	412,384	255,142	-	-	368,184	299,342
GO Bonds - BOK Servicing Agreement	1,465,084	929,759	-	-	652,767	1,742,076
Refunding Bonds of 2010 Escrow	3,623,645	33,605	-	-	859,166	2,798,084
Muskogee City County Detention - Sheriff's Department	184,106	1,550,375	-	-	1,531,985	202,496
County Bridge and Road Improvement	-	2,100,911	-	-	224,192	1,876,719
County Sales Tax/Sheriff	1,413,551	1,797,888	-	-	2,340,124	871,315
Firefighters Cash/Sales Tax	1,365,541	1,094,586	-	-	1,100,331	1,359,796
Muskogee County Sales Tax/Highway	2,960,426	1,797,888	-	500,000	1,330,917	2,927,397
Resale Property	1,182,888	421,430	639,323	600,000	266,663	1,376,978
Economic Development Administration	-	16,450	500,000	-	213,498	302,952
Remaining Aggregate Funds	1,086,896	1,733,852	-	-	1,219,526	1,601,222
Combined Total - All County Funds, as Restated	\$ 19,666,835	\$ 23,791,898	\$ 1,739,323	\$ 1,700,000	\$ 21,364,821	\$ 22,133,235

The notes to the financial statement are an integral part of this statement.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Muskogee County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General – accounts for revenues from the ad valorem taxes, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – accounts for revenues from the state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the County Health Department.

County Sinking – accounts for the payments of interest and principal on long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments on cash not immediately required for debt service payments.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

General Obligation Bonds – accounts for the payment of interest and principal on the matured portion of the Muskogee County General Obligation Limited Tax Bonds that are administered by the County. Receipts are derived from industrial tenant rental payments.

GO Bonds - BOK Servicing Agreement – accounts for the payment of interest and principal on the matured portion of the Muskogee County General Obligation Limited Tax Bonds that are administered by the Bank of Oklahoma. Receipts are derived from industrial tenant rental payments.

Refunding Bonds of 2010 Escrow – accounts for monies held in an escrow fund in accordance with the Special Escrow Fund Agreement of the General Obligation Limited Tax Taxable Refunding Bonds of 2010. Disbursements are for the payment of interest and principal on the matured portion of refunded bonds.

Muskogee City County Detention - Sheriff's Department – accounts for revenues from law enforcement entities for the housing the entity's prisoners. Disbursements are for the general operation of the Sheriff's Department and Detention Center.

County Bridge and Road Improvement – accounts for monies received from Oklahoma Department of Transportation as imposed by SB 2173. Monies are earmarked for bridges, roads, and certain improvements for roads.

County Sales Tax/Sheriff – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Firefighters Cash/Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Muskogee County Sales Tax/Highway – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Resale Property – accounts for revenues from the interest and penalties on ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Economic Development Administration – accounts for the Economic Adjustment Assistance grant received from the U.S. Department of Commerce used to fund a road project.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County’s governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Long Term Obligations

1. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue.

The following table presents the general obligation bonds at June 30, 2011, and charges for the fiscal year then ended are as follows (expressed in thousands):

Bond	Interest Rates	Beginning	Reduction	Ending Balance	Amount due
		Balance			within one year
County Lmtd Tax Bonds 1995, Series A	14.00%-7.75%	\$ 25,000	\$ 25,000	\$ -	\$ -
County Lmtd Tax Bonds 1996, Series B	13.75%-6.75%	90,000	90,000	-	-
County Lmtd Tax Bonds 1997, Series A	9.25%-7.50%	60,000	20,000	40,000	40,000
County Lmtd Tax Bonds 1997, Series B	7.00%-6.00%	1,210,000	-	1,210,000	170,000
County Lmtd Tax Bonds 1998, Series A	7.00%	75,000	-	75,000	25,000
County Lmtd Tax Bonds 1999, Series A	5.125%-5.40%	700,000	80,000	620,000	80,000
County Lmtd Tax Bonds 1999, Series C	9.00%-8.70%	125,000	25,000	100,000	25,000
County Lmtd Tax Bonds 1999, Series E	6.45%-7.00%	540,000	45,000	495,000	45,000
County Lmtd Tax Bonds 2000, Series A	8.00%	220,000	220,000	-	-
County Lmtd Tax Bonds 2000, Series B	7.50%-7.00%	1,160,000	105,000	1,055,000	105,000
County Lmtd Tax Bonds 2000, Series C	6.00%	248,000	248,000	-	-
County Lmtd Tax Bonds 2001, Series A	8.00%-5.00%	400,000	50,000	350,000	50,000
County Lmtd Tax Bonds 2004, Series A	7.00%-7.25%	2,575,000	185,000	2,390,000	185,000
County Lmtd Tax Bonds 2004, Series B	7.40%-7.30%	1,225,000	135,000	1,090,000	135,000
County Lmtd Tax Bonds 2004, Series C	4.70%-6.00%	250,000	-	250,000	30,000
County Lmtd Tax Bonds 2005, Series A	6.00%-5.00%	775,000	70,000	705,000	70,000
County Lmtd Tax Bonds 2006, Series A	4.50%-6.00%	440,000	-	440,000	40,000
County Lmtd Tax Bonds 2009, Series A	5.40%-6.75%	430,000	30,000	400,000	30,000
GO Lmtd Tax Taxable Refunding Bonds of 2010	3.25%-5.00%	1,000,000	-	1,000,000	200,000
		<u>\$ 11,548,000</u>	<u>\$ 1,328,000</u>	<u>\$ 10,220,000</u>	<u>\$ 1,230,000</u>

MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

During fiscal year 2011, payments included \$1,328,000 principal, \$585,739 interest, \$5,615 agent fees, and \$3,263 other fees.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$2,370,523, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,230,000	\$ 608,068	\$ 1,838,068
2013	3,210,000	538,523	3,748,523
2014	1,005,000	323,790	1,328,790
2015	980,000	268,380	1,248,380
2016	955,000	213,556	1,168,556
2017-2024	2,840,000	418,206	3,258,206
Total	<u>\$10,220,000</u>	<u>\$2,370,523</u>	<u>\$12,590,523</u>

E. Sales Tax

On November 8, 2005, Muskogee County voters approved an excise tax of fifteen hundredths of one percent (.0015). The revenue from the sales tax is for the purpose of providing funds for the fire departments of Muskogee County, including, but not limited to: purchase of equipment, general operation and maintenance, training, construction of new buildings or improvements to existing buildings, and payment of existing or future loans.

Five percent (5%) of the fifteen hundredths percent (.0015) is designated for a newly formed Board with one member elected and representing each of the following Muskogee County fire departments: Muskogee, Boynton, Braggs, Brushy Mountain, Buckhorn, Council Hill, Fort Gibson, Gooseneck Bend, Haskell, Keefeton, Mountain View, Oktaha, Summit, Taft, Wainwright, Warner, Webber Falls, and Porum. The Board is to use the funds as deemed necessary for the improvement and enhancement of operations of the emergency response capabilities of the above-listed fire departments.

Ninety five percent (95%) of the fifteen hundredths percent (.0015) shall be divided equally between the above-mentioned eighteen (18) fire departments to construct new fire stations or improve existing fire stations, purchase equipment and defray training and fire education costs, purchase fire fighting and other emergency response vehicles and equipment and for the general maintenance and operations, with the exception of salaries and wages, for which the tax proceeds are not intended. These funds are accounted for in the Firefighters Cash/Sales Tax fund.

On July 10, 2007, Muskogee County voters approved an excise tax for Muskogee County on all goods and products authorized by law, in the amount of one half of one cent on the dollar (\$0.005). The tax is to commence January 1, 2008 and to terminate December 31, 2018. The revenue from the sales tax is for the purpose of improving county services as follows: 50% of

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

the monies to go to the county roads and bridges and 50% of the monies to go to Homeland Security, courthouse security, and county law enforcement. These funds are accounted for in the Muskogee County Sales Tax/Highway and County Sales Tax/Sheriff funds.

F. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds:

- \$600,000 was transferred from the Resale Property fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$600,000 was transferred from the County General fund to the Resale Property fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$39,323 was transferred from the Excess Resale fund (trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.
- \$500,000 was transferred from the Muskogee County Sales Tax/Highway fund to the Economic Development Administration to meet requirements of appropriations in accordance with 68 O.S. § 3021. The interfund loan was not repaid within the current year as required.

G. Reclassification of Cash Balances

Certain amounts in the cash balances have been restated in fiscal year 2011 due to addition and/or reclassification of individual funds. Cash balances of these funds have been restated as follows:

Ending cash balance June 30, 2010, as previously reported	\$ 12,707,815
Amounts not previously reported on County ledgers (Refunding Bonds of 2010 Escrow)	3,623,645
Amounts reclassified from trust and agency funds to county funds (General Obligation Bonds, GO Bonds - BOK Servicing Agreement, Firefighters Cash/Sales Tax, Rainy Day Fund, Emergency Management Grant Fund, Cash Drawer, County Water Improvement District 1, County Clerk Fire Department Reimbursement, and Flood Plain Fund)	<u>3,335,375</u>
Ending cash balance June 30, 2010, as restated	<u>\$ 19,666,835</u>

OTHER SUPPLEMENTARY INFORMATION

MUSKOGEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,768,700	\$ 2,768,700	\$ -
Less: Prior Year Outstanding Warrants	(463,954)	(463,954)	-
Less: Prior Year Encumbrances	(76,825)	(62,591)	14,234
Beginning Cash Balances, Budgetary Basis	2,227,921	2,242,155	14,234
Receipts:			
Ad Valorem Taxes	4,357,142	4,541,351	184,209
Charges for Services	198,878	211,132	12,254
Intergovernmental Revenues	754,163	872,534	118,371
Miscellaneous Revenues	174,775	281,391	106,616
Total Receipts, Budgetary Basis	5,484,958	5,906,408	421,450
Expenditures:			
County District Attorney	12,582	9,826	2,756
County Sheriff	320,942	318,806	2,136
County Treasurer	238,500	238,500	-
County Commissioners	290,114	235,764	54,350
County Commissioners OSU Extension	108,714	104,290	4,424
County Clerk	313,367	312,627	740
Court Clerk	287,890	268,402	19,488
County Assessor	276,800	266,928	9,872
Revaluation of Real Property	283,211	255,357	27,854
District Court	27,600	25,394	2,206
General Government	3,468,236	3,149,421	318,815
Excise-Equalization Board	13,200	10,292	2,908
County Election Expense	186,503	182,646	3,857
County Purchasing Agent	184,590	184,342	248
Charity	45,200	45,000	200
County Engineer/Flood Plain Administrator	13,815	13,769	46
Civil Defense	111,488	97,210	14,278
Soil Conservation District	1,555	1,268	287
County/City Jail	199,865	199,719	146
School Record Clerk	2,000	1,965	35
Sales Tax Revolving	702,971	21,925	681,046
Sales Tax MCCDF	28,257	5,040	23,217
Sales Tax Renovation	216,966	-	216,966
Highway Budget Account	330,000	312,645	17,355
County Audit Budget	47,313	2,767	44,546
Free Fair Budget	1,200	1,200	-
Total Expenditures, Budgetary Basis	7,712,879	6,265,103	1,447,776

Continued on next page

MUSKOGEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,883,460	\$ 1,883,460
Operating Transfers:			
Operating Transfers In		600,000	
Operating Transfers Out		(600,000)	
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		533,412	
Add: Current Year Encumbrances		79,828	
Ending Cash Balance		\$ 2,496,700	

MUSKOGEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,147,959	\$ 1,147,959	\$ -
Less: Prior Year Outstanding Warrants	(177,775)	(177,775)	-
Beginning Cash Balances, Budgetary Basis	970,184	970,184	-
Receipts:			
Ad Valorem Taxes	1,088,210	1,134,217	46,007
Charges for Services	285,676	285,676	-
Intergovernmental		65,670	65,670
Miscellaneous Revenues	-	1,173	1,173
Total Receipts, Budgetary Basis	1,373,886	1,486,736	112,850
Expenditures:			
Health and Welfare	2,344,070	1,616,573	727,497
Total Expenditures, Budgetary Basis	2,344,070	1,616,573	727,497
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	840,347	\$ 840,347
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		142,782	
Add: Current Year Outstanding Warrants		126,761	
Ending Cash Balance		\$ 1,109,890	

MUSKOGEE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Muskogee City County Detention Grant 2	\$ 71	\$ -	\$ -	\$ 71
County Clerk Lien Cash Fund	63,391	31,020	42,894	51,517
Sheriff Service Fee Cash Fund	79,766	593,290	585,155	87,901
Treasurer Mortgage Certification Fee	46,029	11,025	5,330	51,724
Sheriff Patrol Cash Fund	26,644	25,882	33,806	18,720
Assessor Visual Inspection and County Assessor Revolving Fund	36,942	8,234	1,320	43,856
Sheriff Commissary Fund	7,179	145,989	141,840	11,328
County Clerk Records Management Preservation Fund	49,539	68,250	63,630	54,159
Sheriff Drug Forfeiture	75	287,201	157,949	129,327
Sheriff Training	29	-	-	29
Local Law Enforcement Grant	719	-	-	719
Project Safe Neighborhood Grant	29	-	-	29
Homeland Security Grant 1 & 2	115	-	-	115
Sheriff COPS Grant	119	-	-	119
Justice Assistance Grant	8	-	-	8
County Use Tax	680,830	357,654	-	1,038,484
Muskogee County K-9	2,466	-	1,512	954
Sheriff Reward Revolving	579	722	-	1,301
Capital Improvement Plan	-	191,775	178,439	13,336
Rainy Day Fund	88,869	-	-	88,869
Emergency Management Grant Fund	10	5,000	-	5,010
Cash Drawer	530	-	-	530
County Water Improvement District 1	1,410	-	-	1,410
County Clerk Fire Department Reimbursement	1,027	7,800	7,651	1,176
Flood Plain Fund	520	10	-	530
Combined Total - Remaining Aggregate Funds	\$ 1,086,896	\$ 1,733,852	\$ 1,219,526	\$ 1,601,222

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Muskogee City County Detention Grant 2 – accounts for COPS grant monies received and disbursed for payroll of a school resource officer.

County Clerk Lien Cash Fund – accounts for revenues from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Sheriff Service Fee Cash Fund – accounts for the collection and disbursement of Sheriff process service fees as restricted by statute.

Treasurer Mortgage Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

Sheriff Patrol Cash Fund – accounts for revenues from donations for reserve officers. Disbursements are for reserve officer needs.

Assessor Visual Inspection and County Assessor Revolving Fund – accounts for revenues from fees collected by the County Assessor, including those charged to all entities receiving ad valorem taxes. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office and for the revaluation of all county property for collection of ad valorem taxes.

Sheriff Commissary Fund – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursement of funds as restricted by state statute.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County Clerk Records Management Preservation Fund – accounts for revenues from a fee charged by the County Clerk for recording instruments and interest earned on invested funds. Disbursements are for the maintenance and preservation of public records.

Sheriff Drug Forfeiture – accounts for revenues from monies seized and forfeited to the Sheriff's office. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force.

Sheriff Training – accounts for revenues from the sale of properties forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Local Law Enforcement Grant – accounts for revenues from a federal grant. Disbursements are for supplemental deputies.

Project Safe Neighborhood Grant – accounts for grant monies received and disbursed to support existing programs in law enforcement targeted at gun violence and drug abuse.

Homeland Security Grant 1 & 2 – accounts for revenues from a federal grant. Disbursements are for additional patrols by the Sheriff's office.

Sheriff COPS Grant – accounts for revenues from a federal grant. Disbursements are for payroll of Sheriff's officers.

Justice Assistance Grant – accounts for revenues from a federal grant. Disbursements are for Sheriff patrol cars.

County Use Tax – accounts for revenues from the Oklahoma Tax Commission. Disbursements are at the discrepancy of the County Commissioners.

Muskogee County K-9 – accounts for revenues strictly from donations from individual citizens. Disbursements are for canine services.

Sheriff Reward Revolving – accounts for the collection of fines and restitution from littering and the disbursements are restricted to be used for the prevention of littering.

Capital Improvement Plan – accounts for Community Development Block Grants received from the U.S. Department of Commerce and disbursed as restricted by the grant agreement.

Rainy Day Fund – accounts for collections from the sale of County property and disbursed for maintenance of the courthouse.

Emergency Management Grant Fund – accounts for Emergency Management Performance Grants received from the U.S. Department of Homeland Security and disbursed as restricted by the grant agreement.

**MUSKOGEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Cash Drawer – accounts for cash held by the various county offices for change funds.

County Water Improvement District 1 – revenues are from a grant received for Rural Water District 1 and disbursed for the improvement of the water district.

County Clerk Fire Department Reimbursement – revenues are from the Fire Fighters Sales Tax Board. Disbursements are for the payroll of a County Clerk employee that handles the administrations of the fire departments' disbursements.

Flood Plain Fund – accounts for fees collected for flood plain certifications and disbursed for flood plain travel and maintenance and operation.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE			
Direct Grant:			
Economic Adjustment Assistance - American Recovery and Reinvestment Act of 2009	11.307	08-79-73007	\$ 220,666
Total U.S. Department of Commerce			<u>220,666</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>13,661</u>
Total U.S. Department of Defense			<u>13,661</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13256 CDBG 08	99,999
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	13539 CDBG 08	<u>78,440</u>
Total U.S. Department of Housing and Urban Development			<u>178,439</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		<u>54,437</u>
Total U.S. Department of the Interior			<u>54,437</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1988	273,314
Hazard Mitigation Grant	97.039	HM1883	16,875
Emergency Management Performance Grants	97.042	EMPG	<u>26,126</u>
Total U.S. Department of Homeland Security			<u>316,315</u>
Total Expenditures of Federal Awards			<u><u>\$ 783,518</u></u>

**MUSKOGEE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Muskogee County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Muskogee County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Muskogee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 20, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muskogee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Muskogee County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2011-1, 2011-4, 2011-17, 2011-26, and 2011-28.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2011-2, 2011-3, 2011-15, 2011-16, 2011-18, 2011-22, and 2011-27.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muskogee County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-26.

We noted certain matters regarding statutory compliance that we reported to the management of Muskogee County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Muskogee County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Muskogee County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

November 20, 2014



Oklahoma State Auditor & Inspector

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

**Independent Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program
and Internal Control Over Compliance in Accordance With
OMB Circular A-133**

TO THE OFFICERS OF
MUSKOGEE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Muskogee County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Muskogee County's major federal program for the year ended June 30, 2011. Muskogee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of Muskogee County's management. Our responsibility is to express an opinion on Muskogee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muskogee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Muskogee County's compliance with those requirements.

In our opinion, Muskogee County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Muskogee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Muskogee County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Muskogee County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-5 and 2011-6 to be material weaknesses.

Muskogee County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Muskogee County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized flourish at the end.

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

November 20, 2014

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

CFDA Number(s)

11.307

Name of Federal Program or Cluster

Economic Adjustment Assistance -
American Recovery and Reinvestment
Act of 2009

14.228

Community Development Block
Grants/State's program and Non-
Entitlement Grants in Hawaii

**MUSKOGEE COUNTY, OKLAHOMA
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Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

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SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2011-1 – Inadequate County-Wide Internal Controls (Repeat Finding)

Condition: Through the process of gaining an understanding of the County's internal control structure, it was noted that county-wide internal controls, in relation to financial reporting, regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed. The County, as a whole, does not formally address procedures related to the collection and disbursement of County funds.

Cause of Condition: The County was not fully aware of the benefits gained by the implementation of procedures regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring as it relates to the strengthening of their internal control structure.

Effect of Condition: Without an adequate system of county-wide internal controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the County design and implement a system of county-wide internal control procedures including procedures to identify and address risks related to financial reporting as well as monitoring procedures that will assess the quality of performance of control activities over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioners: The Board of County Commissioners (BOCC) and all county officers are working together to improve internal controls.

County Commissioner District 1: The BOCC and other offices are working together to develop an internal control structure.

County Treasurer: The short answer to this finding is apparent but not without effort on the part of all elected officials. I am prepared to move forward on a project of this nature and now have in my possession guidelines given to me by the Auditor's office. Those guidelines are direct and will provide a good outline for establishing internal controls for the County. My intention and response to the said finding is to bring this matter to the attention of the County Commissioners and County Clerk and schedule a meeting to cover this matter. I am prepared to develop an Internal Controls Manual for the Treasurer's office but believe it would be beneficial for the County as a whole to participate. The Treasurer will endeavor to comply with this recommendation in coming months with a target of completion before the next audit cycle.

**MUSKOGEE COUNTY, OKLAHOMA
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County Clerk: The County Clerk, County Treasurer, and the BOCC will work on our internal control procedures in order to implement the auditor's recommendation.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The Control Environment sets the tone of an entity and influences the control consciousness of its people. The Control Environment is the foundation for all other components of internal control and provides structure and discipline. Among the important elements of the control environment are the attitude, awareness, and actions of management, as well as those charged with governance, concerning internal control.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the county faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and other within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control and control monitoring part of their regular operating processes. Proper monitoring will ensure that controls continue to be adequate and to function properly.

**MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2011-2 – Inadequate Internal Controls Over Information Systems Security – County Treasurer

Condition: Upon review of the computer system within the County Treasurer's office, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- The County's servers are not in a secured location exposing the County to an increased risk of data security, and reliability.
- The County's computers and software system do not require the employee to use a password of at least eight characters in length and passwords are not required to be changed periodically.
- The Security Officer over the software system does not review the security logs for the system.
- The Security Officer over the software system also performs reconciliations and cashier duties, resulting in a concentration of duties.

Cause of Condition: Policies and procedures have not been designed to address security management over information systems.

Effect of Condition: These conditions resulted in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County Treasurer implement internal controls and policies and procedures over information technology to include the following:

- Maintain servers in a secure location, with limited access to employees and the public.
- Setup password requirements for length, character, and an expiration of a minimum of at least every ninety days.
- Review the security log periodically for unusual entries.
- Ensure that the assigned security officer does not also perform reconciliations and cashier duties.

Management Response:

County Treasurer: Regarding information technology in the Muskogee County Treasurer's Office, my response is as follows:

- The servers in the Treasurer's office are secure in terms of public access; however, all staff in the office has access if desired. To answer this finding, the Treasurer will secure the servers in a rack type enclosure with a lockable door with a single key available only to the Security Officer. In the event of loss, I would prefer having a second key in the possession of our software provider.
- As to changing or modifying passwords every ninety days, the Treasurer has notified our software/information technology provider with the request and will ensure that our passwords are at least eight characters in length.
- The Treasurer will ensure that security logs will be reviewed at least quarterly by the security officer.

**MUSKOGEE COUNTY, OKLAHOMA
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- Due to a limitation of experienced staff and in an effort to comply with segregation of duties guidelines, it may take this office additional time to train a new Security Officer. The Treasurer will endeavor to comply with these findings within three months.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2011-3 – Disaster Recovery Plan

Condition: The following was noted regarding written Disaster Recovery Plans:

- The County Commissioner District 1, 2, and 3 and the County Sheriff do not have a written Disaster Recovery Plan.
- The County Assessor's Disaster Recovery Plan does not indicate the last date that it was updated, and does not contain all of the recommended information such as a list of vendors for computer equipment, office equipment, and software backup providers.

Cause of Condition: Policies and procedures have not been designed to develop and implement a Disaster Recovery plan for all County offices.

Effect of Condition: The failure to have a current formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring that county business could continue uninterrupted.

Recommendation: OSAI recommends that each elected official develop and maintain a current Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user/documentation.
- Alternative work locations once IT resources are available.

Management Response:

County Commissioner District 1: We are in the process of reviewing our plan and will supplement if needed.

**MUSKOGEE COUNTY, OKLAHOMA
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County Commissioner District 2: District 2 will implement a written Disaster Recovery Plan and will keep copies in multiple places.

County Sheriff: The Muskogee County Sheriff's office is currently implementing a Disaster Recovery Plan.

County Assessor: The County Assessor's office will add the recommended information to our Disaster Recovery Plan and update the plan annually.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can continue as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2011-4 – Inadequate Segregation of Duties – County Treasurer

Condition: The following duties performed in the County Treasurer's office are not properly segregated: reconciling bank statements, issuing receipts, and preparing deposits. In addition, the duties of issuing receipts, preparing the daily report, preparing the monthly report, posting apportionments to the general ledger, and reconciling the general ledger to the monthly report are all being performed by one employee. For mail-in payments, all employees can open the mail and issue receipts. The County Treasurer's office does not prepare and maintain a mail log.

Cause of Condition: The Treasurer's office did not have adequate staffing, with the necessary skill set, to adequately segregate the duties in the office.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.

**MUSKOGEE COUNTY, OKLAHOMA
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- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition, OSAI recommends establishing a system of internal controls to adequately protect the collections of the Treasurer's office, which include but are not limited to the following:

- A daily log of mailed in receipts should be compiled.

Management Response:

County Treasurer: We recognize that because of the skill set of the employees in the office, in addition to the limited personnel that we had in the office, we have not been able to segregate these duties as well as we would like. We have added additional personnel and will continue to work towards adequately segregating these duties. We will immediately begin performing and maintaining a mail log. Further, we are now sending employees to the state sponsored training classes for the Treasurer's office. We believe that this will help our employees gain the necessary skills so that we can cross train employees and further segregate duties within the office. The prior administration did not send employees to these classes.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2011-15 – Inadequate Internal Controls Over Bank Reconciliations (Repeat Finding)

Condition: Based on testwork performed, the bank reconciliations were not performed or approved by someone other than the preparer for the following accounts: Employees Tax Account; GO Bonds; Independent School District; Protest; and Court Clerk.

Cause of Condition: Procedures have not been designed to ensure all accounts are reconciled and approved on a monthly basis.

Effect of Condition: This condition could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends that bank reconciliations are performed monthly for all accounts. In addition, all bank reconciliations should be reviewed and approved by someone other than the preparer and include an indication of such review.

Management Response:

County Treasurer: All accounts will be reconciled by a Treasurer's office employee and approved by the County Treasurer.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all banks reconciliations should be performed monthly and approved by someone other than the preparer.

**MUSKOGEE COUNTY, OKLAHOMA
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Finding 2011-16 – Inadequate Internal Controls Over the Evidence of Reconciliation of Appropriation Ledger to General Ledger – County Clerk and County Treasurer

Condition: There is no documentation of the County Clerk's appropriation ledger being reconciled monthly to the Treasurer's general ledger for all County funds.

Cause of Condition: Policies and procedures have not been designed regarding a monthly reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger.

Effect of Condition: These conditions resulted in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk's appropriation ledger be reconciled monthly to the County Treasurer's general ledger. The reconciliation should be reviewed and approved by someone other than the preparer and documentation of the reconciliation should be maintained.

Management Response:

County Clerk: The County Clerk's office does balance monthly with the County Treasurer's office but we have not been keeping the documentation. After this was brought to our attention, we have now started keeping all balance sheets. The balance sheets are signed and dated by a County Clerk Deputy and a County Treasurer Deputy indicating that they are correct.

County Treasurer: The Treasurer's office does balance with the County Clerk's office; however, no documentation was maintained. In the future, we will keep documentation of the monthly reconciliation.

Criteria: To help ensure a proper accounting of funds, all reconciliations should be documented and approved by someone other than the preparer.

Finding 2011-17 – Inadequate Internal Controls Over Signature Stamps – County Commissioner District 1, 2, and 3

Condition: While gaining an understanding of the purchasing process, we noted that the County Clerk and Treasurer's offices have control of the signature stamps for the three County Commissioners. The County Treasurer's office uses the stamps to approve warrants.

Cause of Condition: Procedures have not been designed to ensure signature stamps are used only by the owner. Commissioners do not have physical control of their signature stamps.

Effect of Condition: This condition increases the concentration of duties regarding the purchasing process due to the County Clerk's office having the ability to perform the requisition duties for the Commissioners and the Treasurer's office to approve warrants. Consequently, this could result in unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**MUSKOGEE COUNTY, OKLAHOMA
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Recommendation: OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Commissioner District 1: The Commissioners' signature stamps are now in the custody of each individual Commissioner.

County Commissioner District 2: We will take control of signature stamps and keep under lock and key.

County Commissioner District 3: The Commissioners' signature stamps are now under lock and key with access limited to the Commissioners only.

County Treasurer: This office no longer has the County Commissioners' signature stamps in its possession.

County Clerk: The Board of County Commissioners is buying a fire proof safe for their office and their signature stamps will be kept there. They will no longer be kept in the County Clerk's office. As of July 22, 2013, the Chairman of the Board of County Commissioners started stamping each warrant himself in the County Clerk's office before they are taken to the County Treasurer's office to be registered.

Criteria: An 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 regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2011-18 – Inadequate Internal Controls and Noncompliance Over Purchasing

Condition: Our test of sixty-nine (69) purchase orders reflected the following noncompliance with regard to purchasing statutes:

Not timely encumbered:

Fund	Responsible Office	Purpose	Warrant	Amount
Sheriff SDFCF	Sheriff Department	Vehicles	33	\$90,346.05
CIP	County Commissioners	CDBG Grant	6	\$53,682.81

No supporting documentation:

Fund	Responsible Office	Purpose	Warrant	Amount
MCCD-1	Sheriff Department	Payroll	589	\$1,797.70

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Receiving report not attached:

Fund	Responsible Office	Purpose	Warrant	Amount
CIP	County Commissioners	CDBG Grant	2	\$93,999.00
EDASP	District 1	Harris Rd Project	3	\$190,497.51
ST-SHF-3	Sheriff Department	Radios	459	\$432,900.00
CIP	County Commissioners	CDBG Grant	6	\$53,682.81

Of the five cash voucher claims tested, one did not have an invoice attached:

Fund	Responsible Office	Claim Number	Purpose	Claim Amount
Resale	Treasurer	10	Programming/Training	\$8,625.00

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends management implement procedures to ensure compliance with purchasing statutes. Additionally, OSAI recommends purchase order numbers to be issued after the County Clerk's office receives a requisition from an authorized requisitioning agent. Requisitions should be detailed enough that the receiving officer knows what is being purchased.

Management Response:

County Commissioner District 1: All officers have been asked to review the purchasing procedures as outlined in the statutes.

County Commissioner District 2: All offices have been contacted to train employees to comply with state statutes.

County Treasurer: Documentation will be attached to all claims.

County Clerk: I will ensure that all offices are aware of the purchasing procedures as outlined in the statutes and will encourage their compliance.

County Sheriff:

- Purchase of vehicles in the amount of \$90,346.05: The vendor dated the invoice the day the Sheriff's office was checking on these vehicles and not the day we actually purchased them.
- Purchase of radios in the amount of \$432,900.00: The purchasing clerk was not told when the radios were actually purchased; therefore a purchase order was received when she was given the invoice.
- Regarding timesheets, we have implemented a more accountable time-keeping and payroll procedure.

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Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

Finding 2011-22 – Inadequate Internal Controls and Noncompliance Over Apportionment of Interest Earned on Sales Tax – County Treasurer

Condition: Interest earned on monies held in the Muskogee County Sales Tax/Highway and County Sales Tax/Sheriff funds was apportioned to County General fund. During the fiscal year, the Muskogee County Sales Tax/Highway and County Sales Tax/Sheriff funds earned approximately \$29,492 and \$10,749, respectively.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure interest earned is apportioned to the appropriate funds.

Effect of Condition: This condition resulted in noncompliance with the Oklahoma Constitution. This condition resulted in interest earned on sales tax revenue being apportioned to the wrong fund.

Recommendation: OSAI recommends the County establish and implement procedures to ensure interest earned on investment of dedicated taxes is properly apportioned.

Management Response:

County Treasurer: Interest will be divided as stated in the Attorney General Opinion.

Criteria: Oklahoma Attorney General Opinion No. 1993 OK AG 32 states, "...Article X, Section 19 of the Oklahoma Constitution mandates that income earned on investment of dedicated taxes must be deposited with the principal..."

Finding 2011-26 – Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Condition: The County's bank balances were inadequately secured with pledged collateral on the following days:

- | | |
|---------------------|----------------|
| • December 15, 2010 | \$1,293,105.90 |
| • February 24, 2011 | \$25,655.76 |
| • February 25, 2011 | \$70,716.13 |
| • February 28, 2011 | \$55,338.82 |

Cause of Condition: Policies and procedures have not been designed and implemented to ensure daily bank deposits are adequately secured. In addition, the Treasurer relied on the bank to renew a letter of credit before it expired and monitor the renewal.

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Effect of Condition: These conditions resulted in noncompliance with state statute and unsecured County funds and could result in possible loss of County funds.

Recommendation: OSAI recommends that the County Treasurer design and implement policies and procedures to compare bank balances to the fair market value of pledged collateral on a daily basis to ensure that County funds are adequately secured and that the County is in compliance with state statutes. Documentation for this daily procedure should be maintained.

Management Response:

County Treasurer: Collateral was determined by the previous Treasurer and no employee had the ability to change the collateral. This is no longer the case, as several employees have been added to the bank's roster to get additional collateral.

Criteria: Title 62 O.S. § 517.4(A) states, "A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured."

Further, effective internal controls would include monitoring the daily bank balances to the amount of securities pledged to protect the County against loss of investments.

Finding 2011-27 – Inadequate Internal Controls and Noncompliance Over Repayment of Interfund Loan

Condition: The Economic Development Administration fund received a \$500,000 interfund loan from the Muskogee County Sales Tax/Highway fund. The repayment of this loan was made in June 2012 and not within the current fiscal year.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the repayment of interfund loans are made within the current fiscal year.

Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: OSAI recommends that all interfund loans be repaid within the fiscal year that the funds were transferred.

Management Response:

Chairman, Board of County Commissioners: The funding for this project was delayed. In the future, we will strive to pay back interfund loans within the same fiscal year.

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Criteria: Effective internal controls would include procedures designed to ensure compliance with 68 O.S. § 3021, which states in part, “If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.”

Finding 2011-28 – Inadequate Internal Controls Over General Ledger Balance - General Obligation Bonds

Condition: On January 28, 2010, the County transferred \$2,900,908.74 out of the General Obligation Bonds fund to a financial institution in accordance with the Special Escrow Fund Agreement relating to the Refunding Bonds of 2010. These monies on deposit with the financial institution are to pay principal and interest due on the outstanding bonds which were refunded by the Refunding Bonds of 2010.

On July 9, 2010, the County transferred \$1,465,083.55 out of the General Obligation Bonds fund to the financial institution in accordance with a servicing agreement dated July, 2010. The servicing agreement designates a financial institution as the servicing agent to receive all note payments, bank fees, administrative fees, and default payments on certain outstanding bonds, as well as to pay principal and interest on the outstanding debt.

In both of these instances, the amounts transferred were removed from the County's general ledger and the bonds related to the transfers were no longer monitored by the County Treasurer's Office or any other County personnel.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the recording and monitoring of the County's general obligation bonds.

Effect of Condition: These conditions resulted in the misstatement of the County's financial statement and could result in undetected errors or misappropriation of funds.

Recommendation: OSAI recommends the County Treasurer's office maintain a ledger and monitor activity relating to the County's general obligation bonds. Additionally, these amounts should be included in the County's financial statement.

Management Response:

County Treasurer: The Treasurer's office will comply with the recommendations above. We will implement a bond spreadsheet.

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Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, records should be maintained for all of the County's general obligation bonds and all activity should be monitored.

SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Finding 2011-5 – County-Wide Internal Controls Over Major Programs – CDBG and Economic Adjustment Assistance

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce, Direct Grant

FEDERAL AGENCY: United States Department of Housing and Urban Development, United States Department of Commerce

CFDA NO: 14.228, 11.307

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Economic Adjustment Assistance

FEDERAL AWARD NUMBER: 13256 CDBG 08, 13539 CDBG 08, 08-79-73007

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

QUESTIONED COSTS: -\$0-

Condition: County-wide internal controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

Examples of control environment and procedures to address control environment for federal programs:

Control Environment	Procedures
The communication to employees from management of its belief that internal controls are important to meeting goals and objectives of federal grants.	<ul style="list-style-type: none">• Establish written policies and procedures regarding federal funds.• Provide resources and training for the proper handling of federal funds.

**MUSKOGEE COUNTY, OKLAHOMA
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Control Environment	Procedures
	<ul style="list-style-type: none"> Establish a written policy with regards to reporting known or suspected misappropriation of federal funds.

Examples of risks and procedures to address risk management for federal programs:

Risks	Procedures
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

Examples and procedures to address information and communication for federal programs:

Information and Communication	Procedures
The information and communication required to prepare the County's SEFA.	<ul style="list-style-type: none"> Designate one person to prepare the SEFA. Each department submits a monthly summary of financial information to the designated SEFA preparer. Record significant grant activity in the BOCC minutes. Review and approve the SEFA in BOCC meeting.

Examples of activities and procedures to address monitoring of federal programs:

Monitoring	Procedures
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

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Management Response:

County Commissioner District 1: District 1 will review these findings and address the issues outlined by the state auditors.

County Commissioner District 2: District 2 will take this finding from the auditor's office and address the problem and educate employees.

County Commissioner District 3: In order for the Board of County Commissioners to provide more oversight, the agency appropriating the grant funds must report to the Board at a regular scheduled BOCC meeting once a month. Written documentation of the verbal report must be accepted by the BOCC and filed in the County Clerk's office.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The Control Environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2011-6 – Lack of Internal Controls Over Federal Compliance Requirements – CDBG and Economic Adjustment Assistance

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce, Direct Grant

FEDERAL AGENCY: United States Department of Housing and Urban Development, United States Department of Commerce

CFDA NO: 14.228, 11.307

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii, Economic Adjustment Assistance

FEDERAL AWARD NUMBER: 13256 CDBG 08, 13539 CDBG, 08-79-73007

FEDERAL AWARD YEAR: 2011

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Condition: During the process of documenting the county's internal controls regarding federal disbursements, we noted that Muskogee County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

Management Response:

County Commissioner District 1: All federal funds will have a grant administrator who will be responsible for compliance.

County Commissioner District 2: All federal funds will have a grant administrator who will report to the BOCC in a timely manner.

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County Commissioner District 3: The agency requesting and appropriating any grant fund must give a monthly written report to the Board of County Commissioners. After approval, the document must be signed and filed in the County Clerk's office and must address compliance requirements.

Criteria: OMB A-133 C, § __.300 reads as follows:

Subpart C-Auditees

§ __.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls over federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2011-20 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories

Condition: We noted the following while gaining an understanding of internal controls over consumable inventory and testing compliance with state statute over consumable inventories:

- District 1 and 2 are not performing a periodic review of their consumable inventories.
- District 3 is performing a periodic review of the consumable inventories. However, they do not maintain documentation that the review was performed.

Cause of Condition: Procedures have not been implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining, and verifying consumable inventories.

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Management Response:

County Commissioner District 1: In the future, we will perform inventory and verification of on-hand consumables.

County Commissioner District 2: We will perform an inventory of on-hand consumable items twice annually.

County Commissioner District 3: We will maintain documentation that the review of consumable inventory has been performed.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.

Finding 2011-21 – Inadequate Internal Controls and Noncompliance Over Fixed Assets

Condition: The following offices file an inventory list with the County Clerk, but there is no documentation that an annual review of fixed assets is performed:

- County Treasurer
- County Clerk
- District 2
- District 3
- Emergency Management

The following offices did not have an up-to-date inventory list on file with the County Clerk, inventory records were incomplete, and there is no documentation that an annual review of fixed assets is performed:

- District 1
- County Sheriff

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, and creating and maintaining a fixed asset inventory record.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in errors and improprieties, unrecorded transactions or misappropriation of assets, and loss of county equipment.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1.

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Management Response:

County Commissioner District 1: All offices have been instructed to follow a review of fixed assets and file with the County Clerk.

County Commissioner District 2: In District 2 we have a fixed asset inventory list that is filed with the County Clerk's office. We will implement procedures to perform an annual review of fixed assets.

County Commissioner District 3: In the future we will document our annual review of fixed assets.

County Treasurer: An annual review will be performed and filed in the County Clerk's office, as well as the County Treasurer's office.

County Clerk: As of April 2013, the County Clerk's office started doing an annual review of our inventory and it is signed and dated by our inventory officer and one other County Clerk employee.

County Sheriff: Muskogee County now has an up-to-date inventory on file with the County Clerk's office and will conduct an annual review.

Emergency Management: My staff and I have developed a checklist for all items represented on our inventory to verify an annual accounting of all fixed assets belonging to Muskogee County Emergency Management.

Criteria: Title 19 O.S. § 178.1 requires the maintenance of inventory records and periodic inventory verifications.

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 acquisition, use or disposition of fixed assets, and safeguard fixed assets from loss, damage, or misappropriation.

Finding 2011-23 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account revealed the following:

- One employee performs all of the daily activity in the Inmate Trust Fund Checking Account such as issuing receipts, preparing deposit slips, posting payments to inmate records, and issuing checks. In addition, this employee has custody of the bank statements.
- Inmate Trust Fund Checking Account receipts do not bear the name of the office or account.
- The Board of County Commissioners did not approve the contract with the commissary vendor and the contract is not renewed annually.
- Inmate balances are not reconciled to the bank statements.

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- Not all checks issued have two authorized signatures.
- The Sheriff does not file an annual report for the commissary fund with the Board of County Commissioners by January 15th, of each year.

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the 230 disbursements/checks tested:

- Twenty-two checks were issued to a vendor for commissary items and fees.
- Two checks were issued to Muskogee County Sheriff's Office for medical services.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- All contracts should be renewed and approved by the Board of County Commissioners yearly.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- All checks from the inmate trust fund should have two authorized signatures.
- Expenditures should be made from the Sheriff's Commissary Fund in accordance with 19 O.S. § 180.43.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- Receipts issued should bear the name of the office and account and should be pre-numbered, duplicate receipts, issued in sequential order for all monies collected.

Management Response:

County Sheriff: Individual employees now have separate responsibilities as follows:

- Employee 1 opens mail, gathers money orders, and writes receipts.
- Employee 2 puts money on the books and prepares the deposit.
- Employee 3 takes deposit to the bank.

In addition, the other items listed in the finding are no longer the current procedure at the jail. Muskogee County Sheriff's Office is currently soliciting bids for a commissary vendor. Two signatures are now required for all inmate trust checks. As of June 2013, expenditures are being made from the Sheriff's Commissary Fund instead of the Inmate Trust Fund Checking Account. An annual report will be

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submitted to the Board of County Commissioners every year before January 15th. Receipts now bear the name Muskogee County Sheriff's Office.

Criteria: The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. In addition, two authorized signatures should be required on all inmate trust account checks, bank reconciliations should be performed each month, and contracts should be approved by the Board of County Commissioners.

19 O.S. § 180.43 E. and D. states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account". The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Finding 2011-25 – Inadequate Internal Controls and Noncompliance Over the Inmate Telephone System Contract - County Sheriff

Condition: On July 20, 2010, the Muskogee County Sheriff entered into a contract with a vendor for the installation, management, operation, and maintenance of inmate telephones, enclosures, and related equipment furnished by the vendor.

One of the equipment items listed on Exhibit A of the contract is a Sydaptic Platform. The agreement further states the cost of this item is \$423,589 and the vendor will provide financing for the equipment. Payment of the system shall be achieved by reduction of the commission amount due to Muskogee County of \$11,222.50 per month over sixty (60) months, which would be a total cost to the County of \$673,350.

Upon review of the contract and related documents, the following was noted:

- The contract was not approved by the Board of County Commissioners and is not being renewed annually in an open meeting.

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- Bids were not solicited.

Cause of Condition: The County Sheriff did not follow policies and procedures designed by state statutes regarding the bidding and purchasing process.

Effect of Condition: The condition resulted in noncompliance with state statutes.

Recommendation: OSAI recommends the County adhere to procedures outlined in state statutes regarding the solicitation of bids and approval of contracts.

Management Response:

County Sheriff: A copy of the contract has been given to the Muskogee County District Attorney for review.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1501 through § 1505 and that contracts are reviewed and approved in accordance with 62 O.S. § 479.

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Finding 2007-21 – Approval of the Board of County Commissioners

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 11990 CDBG ED 05, 12268 CDBG 06

FEDERAL AWARD YEAR: 2005, 2006

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Finding Summary: Four of the five expenditures tested were paid prior to the approval of the Board of County Commissioners.

Status: We do not believe this finding warrants further action due to the following: Two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse; the federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.

Finding 2007-22 – Subrecipient Monitoring

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 11990 CDBG ED 05, 12268 CDBG 06

FEDERAL AWARD YEAR: 2005, 2006

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$-0-

Finding Summary: Muskogee County is the pass-through entity for the Community Development Block Grant received from the Oklahoma Department of Commerce. The grant monies are then remitted to the Muskogee City-County Port Authority and Wagoner Rural Water District #8 after a request for funds is approved by the Oklahoma Department of Commerce. There was no record in the Muskogee County files that reflected any monitoring for the federal award of the Community Development Block Grants expended in fiscal year 2007. In addition, the County was not aware of their responsibility to ensure that an audit should be made of the Port Authority's books and records.

Status: We do not believe this finding warrants further action due to the following: Two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse; the

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federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.

Finding 2007-24 – Review of Reports

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 11990 CDBG ED 05, 12268 CDBG 06

FEDERAL AWARD YEAR: 2005, 2006

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Finding Summary: The grant coordinator prepares the budget to actual reports as well as the quarterly and annual reports without any form of review from management.

Status: We do not believe this finding warrants further action due to the following: Two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse; the federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.

Finding 2008-20 – FEMA Files – Documentation of Federal Expenditures

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1678, 1712, 1752, 1754

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Procurement and Suspension and Debarment.

QUESTIONED COSTS: \$747.32

Finding Summary: When performing testwork of the County's projects, it was noted that there was insufficient documentation to support the federal monies disbursed on disasters 1678, 1712, 1752, and 1754 for Districts 1, 2, and 3.

Status: No corrective action was taken.

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Finding 2010-19 – Schedule of Expenditures of Federal Awards (SEFA)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1876, 1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

Finding Summary: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Status: The County has designated an individual to compile and present a Schedule of Expenditures of Federal Awards.

Finding 2010-20 – Internal Controls Over Major Programs – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1876, 1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

Finding Summary: The County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Special Tests and Provisions.

Status: No corrective action was taken. A similar finding is included for fiscal year ending June 30, 2011.

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Finding 2010-22 – County Wide Controls Over Major Programs – FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1876, 1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

Finding Summary: County-wide internal controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed to ensure compliance with grant requirements.

Status: No corrective action was taken. A similar finding is included for fiscal year ending June 30, 2011.



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