

**MUSKOGEE
COUNTY
TREASURER**

APRIL 27, 2010

**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**GLEN SCOTT, COUNTY TREASURER
MUSKOGEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
APRIL 27, 2010**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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August 9, 2010

BOARD OF COUNTY COMMISSIONERS
MUSKOGEE COUNTY COURTHOUSE
MUSKOGEE, OKLAHOMA 74402

Transmitted herewith is the Muskogee County Treasurer Statutory Report for April 27, 2010. The engagement was conducted in accordance with 74 O.S. § 212.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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Glen Scott, County Treasurer
Muskogee County Courthouse
Muskogee, Oklahoma 74402

Dear Mr. Scott:

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for April 27, 2010:

- Review bank reconciliations, visually verify certificates of deposit, and confirm investments.
- Determine whether subsidiary records reconcile to the general ledger.
- Review pledged collateral securing deposits and invested funds.

All information included in the bank reconciliations, the investment ledger, the subsidiary ledgers, and the general ledger is the representation of the County Treasurer.

Our county treasurer statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any general-purpose financial statements of Muskogee County.

Based on the above bank reconciliations, visual verification, and confirmation procedures performed, cash and investments of the County are supported by bank records. With respect to subsidiary records reconciling to the general ledger and pledged collateral, our findings are presented in the accompanying schedule of findings and responses. Also, while performing the procedures, we noted a matter of segregation of duties, and our finding is presented in the schedule of findings and responses.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

June 8, 2010

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2010-1 – Segregation of Duties

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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 property, and record transactions. The duties of calculating amounts vouchered, reviewing vouchers, preparing vouchers, signing vouchers, and distributing vouchers should all be segregated.

Condition: A concentration of duties exists in the Treasurer's office because one deputy has the opportunity to perform all of the following related functions with respect to expenditure transactions: the deputy calculates vouchers, prepares vouchers, signs vouchers, and distributes vouchers. Also, there is no evidence of review by anyone other than the deputy preparing the vouchers.

Effect: 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 management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Views of responsible officials and planned corrective actions: Management chose not to respond.

Finding 2010-2 – Subsidiary Ledger Reconciliations

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the Treasurer's Office should reconcile the subsidiary ledgers to the general ledger on a monthly basis and identify all reconciling items.

Condition: The school subsidiary ledgers are not being maintained and reconciled to the general ledger. It appears the school subsidiary ledger is overstated by \$43,159.56 when compared to the general ledger.

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Effect: Not reconciling increases the risk of possible misstatement and misappropriation of funds. Schools could be expending funds that are not available.

Recommendation: OSAI recommends the Treasurer's office take steps to ensure all school subsidiary ledgers are maintained and reconciled to the general ledger.

Views of responsible officials and planned corrective actions: Management chose not to respond.

Finding 2010-3 – Pledged Collateral

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the current value of pledged collateral should support the general ledger.

Condition: There were three letters of credit used as pledged collateral that had expired. The pledges were overstated by \$825,000.

Effect: By not maintaining pledged collateral accurately, the County runs the risk of being under-collateralized, which could lead to the loss of county assets.

Recommendation: OSAI recommends the current market value of pledged collateral be maintained.

Views of responsible officials and planned corrective actions: Management chose not to respond.



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