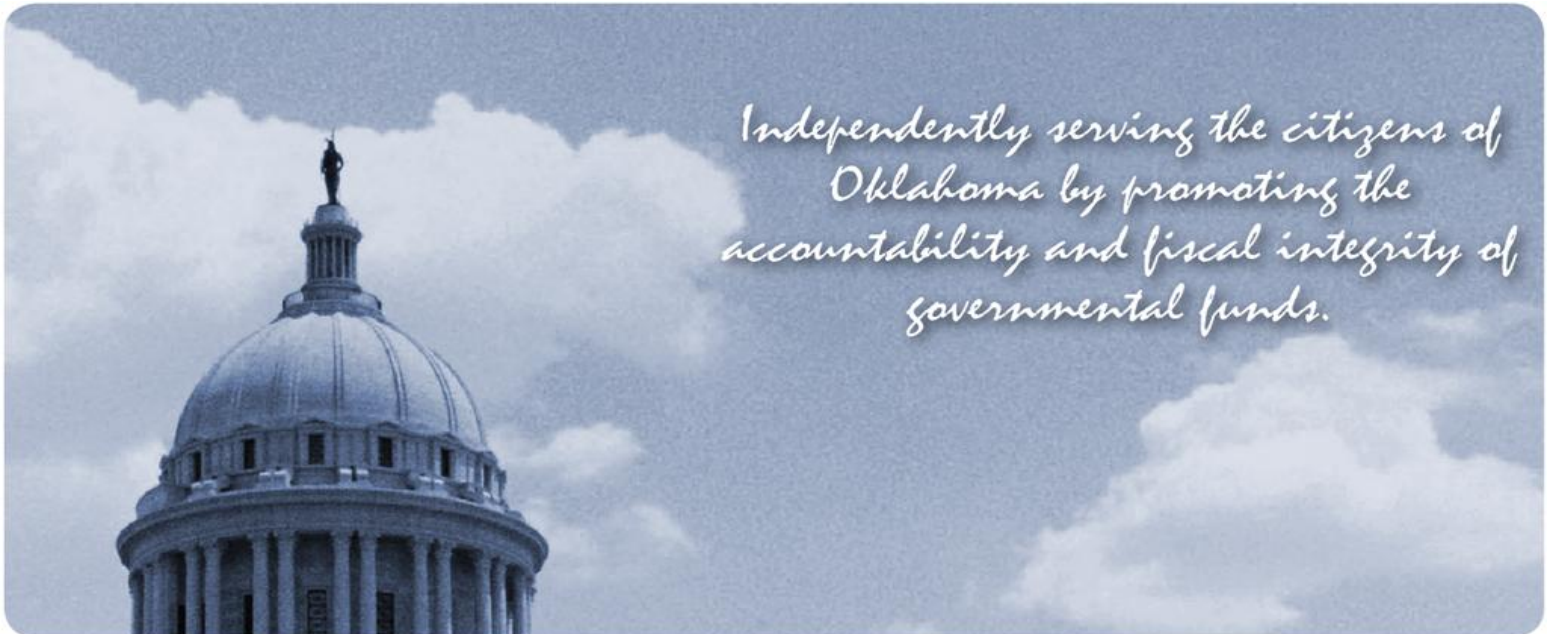


OPERATIONAL AUDIT

OKMULGEE COUNTY

For the fiscal year ended June 30, 2013



*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

**OKMULGEE COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

January 29, 2016

**TO THE CITIZENS OF
OKMULGEE COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Okmulgee County for fiscal year ended June 30, 2013.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**OKMULGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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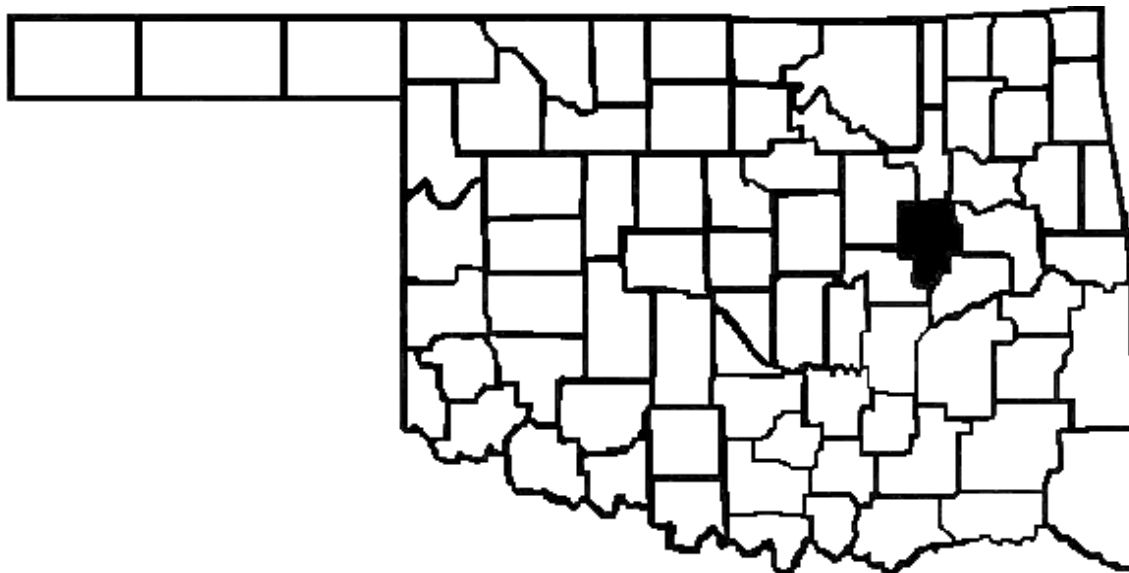
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**OKMULGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



The name Okmulgee comes from a Creek word meaning "boiling water". Created at statehood from lands in the Creek Nation, Indian Territory. The county seat, Okmulgee, has been the capital of the Creek Nation since the Civil War. The Indians chose the site in the belief that tornadoes would not strike the area.

Two local lakes furnish most of the water for the county. Major highways are I-40, east-west, and S.H. 75, north-south. Burlington Northern Santa Fe Railroad maintains a station for shipping.

Points of interest are: the Creek Council House Museum (former meeting place of the Intertribal Council of the Five Civilized Tribes), the Creek Tribal Complex, Samuel Checote grave site, Oklahoma State University – Okmulgee, Nuyaka Mission, and Okmulgee State Park. A Pecan Festival is held mid-June annually in Okmulgee and a Labor Day celebration is observed in Henryetta each year. Both cities support public libraries. The City of Okmulgee is a participant in the Oklahoma Department of Commerce's Main Street project.

History of Okmulgee County offers information about the area. For additional information, call the County Clerk's office at (918) 756-0788.

County Seat – Okmulgee

Area – 702.32 Square Miles

County Population – 39,625
(2012 est.)

Farms – 1,449

Land in Farms – 294,324 Acres

Primary Source: Oklahoma Almanac 2013-2014

**OKMULGEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – J.W. Hill
District 2 – Robert Hardridge
District 3 – James Connors

County Assessor

Lisa Smart

County Clerk

Becky Thomas

County Sheriff

Eddy Rice

County Treasurer

Vonna Lampkins

Court Clerk

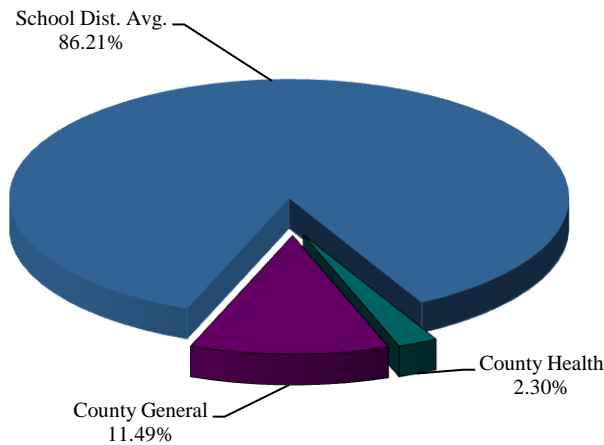
Linda Beaver

District Attorney

O.R. Barris III

**OKMULGEE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Career Tech	Career Tech Building	Common	Total
County General	10.20									
County Health	2.04									
		Okmulgee	I-1	35.35	5.05	14.84	10.20	2.04	4.08	71.56
		Henryetta	I-2	35.70	5.10	15.07	10.20	2.04	4.08	72.19
		Morris	I-3	36.40	5.20	19.64	10.20	2.04	4.08	77.56
		Beggs	I-4	36.05	5.15	26.72	10.20	2.04	4.08	84.24
		Preston	I-5	35.70	5.10	19.80	10.20	2.04	4.08	76.92
		Schulter	I-6	36.05	5.15	26.99	10.20	2.04	4.08	84.51
		Wilson	I-7	36.40	5.20	18.02	10.20	2.04	4.08	75.94
		Dewar	I-8	36.05	5.15	16.47	10.20	2.04	4.08	73.99
		Twin Hills	C-11	36.05	5.15	24.36	10.20	2.04	4.08	81.88
		Tulsa	T-14	36.05	5.15	21.31	8.24	5.15	4.08	79.98
		Creek	I-5	35.70	5.10	26.91	10.20	3.06	4.08	85.05
		Muskogee	I-2	36.40	5.20	20.24	8.16	2.04	4.08	76.12
		McIntosh	I-19	36.05	5.15	23.93	8.16	2.04	4.08	79.41
		McIntosh	I-27	35.70	5.10	13.36	8.16	2.04	4.08	68.44
		Okfuskee	I-31	36.05	5.15	31.78	5.15	-	4.08	82.21
		Okfuskee	I-32	36.05	5.15	11.55	5.15	-	4.08	61.98

**OKMULGEE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Sales Tax

Sales Tax of December 14, 2010

The voters of Okmulgee County approved a new 1/2 percent (0.50%) sales tax on December 14, 2010. This sales tax was established to provide revenue for the benefit of the Okmulgee County Road System.

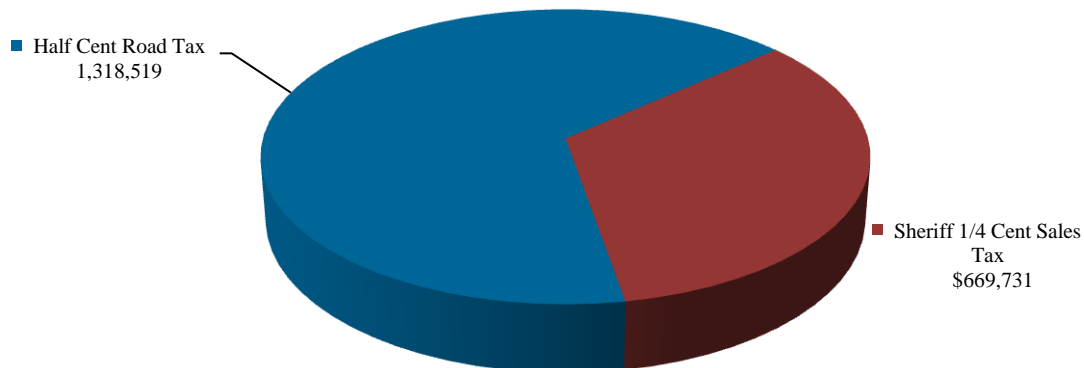
The funds are accounted for in a cash fund as reported on the County's financial statements as Half Cent Road Tax.

Sales Tax of December 14, 2010

The voters of Okmulgee County also approved a new 1/4 percent (0.25%) sales tax on December 14, 2010. This sales tax was established to provide revenue for the lawful duties and responsibilities of the Sheriff's office.

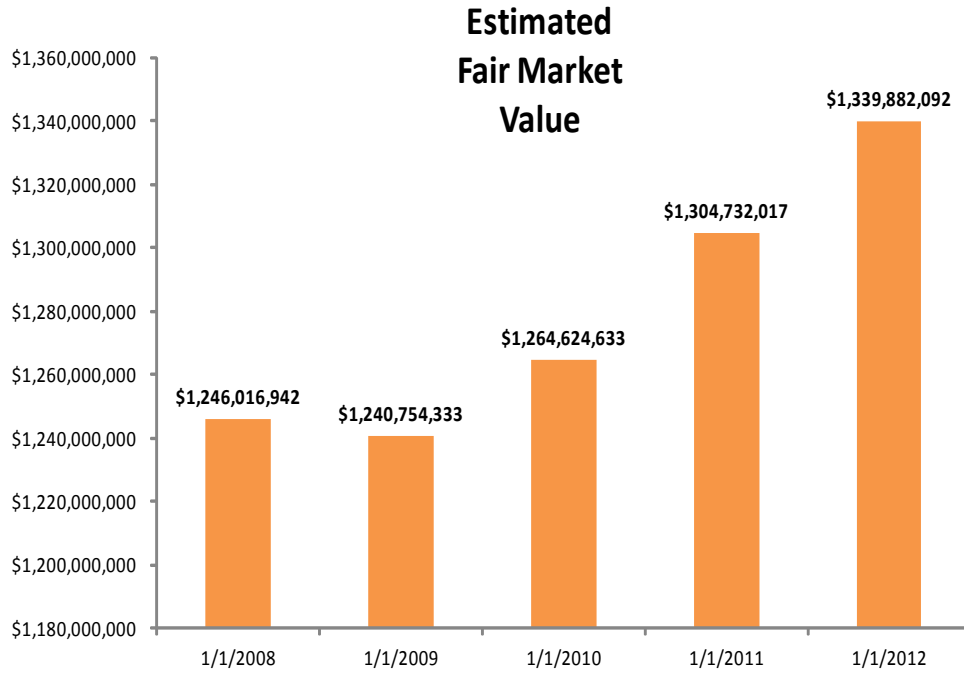
These funds are accounted for in cash funds as reported on the County's financial statements as Sheriff 1/4 Cent Sales Tax.

During the fiscal year the County collected \$1,988,250 in total sales tax.



**OKMULGEE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

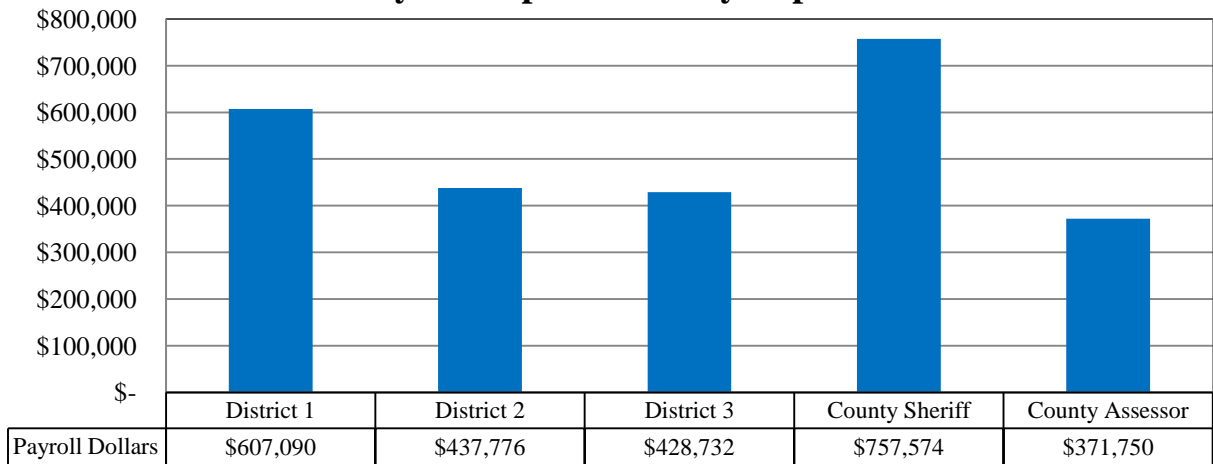
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$33,633,369	\$23,906,485	\$113,117,417	\$9,871,420	\$160,785,851	\$1,339,882,092
1/1/2011	\$31,376,644	\$24,742,831	\$110,368,303	\$9,919,936	\$156,567,842	\$1,304,732,017
1/1/2010	\$31,585,071	\$22,030,198	\$107,885,510	\$9,745,823	\$151,754,956	\$1,264,624,633
1/1/2009	\$31,141,237	\$21,849,210	\$105,665,713	\$9,765,640	\$148,890,520	\$1,240,754,333
1/1/2008	\$34,704,281	\$22,918,855	\$101,573,355	\$9,674,458	\$149,522,033	\$1,246,016,942



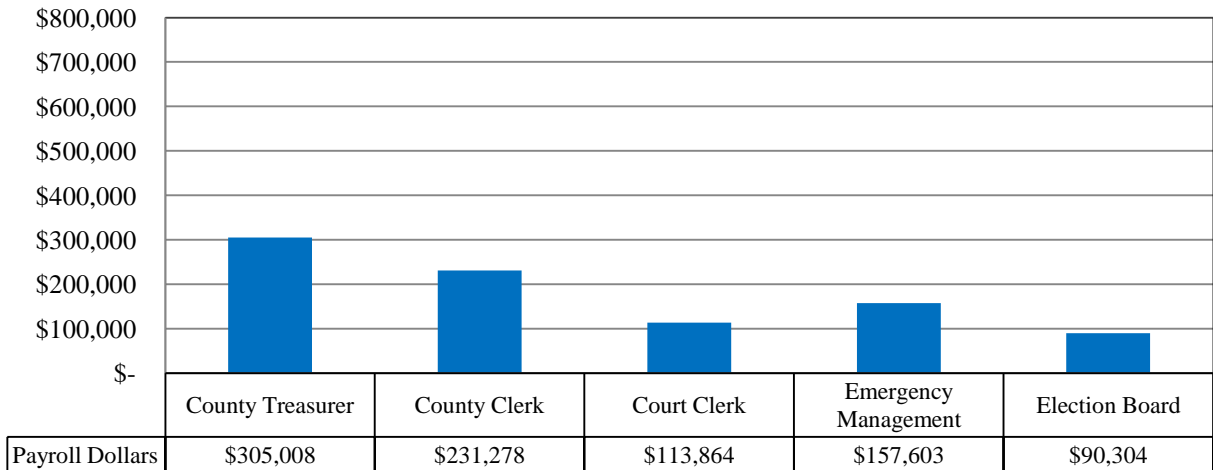
**OKMULGEE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



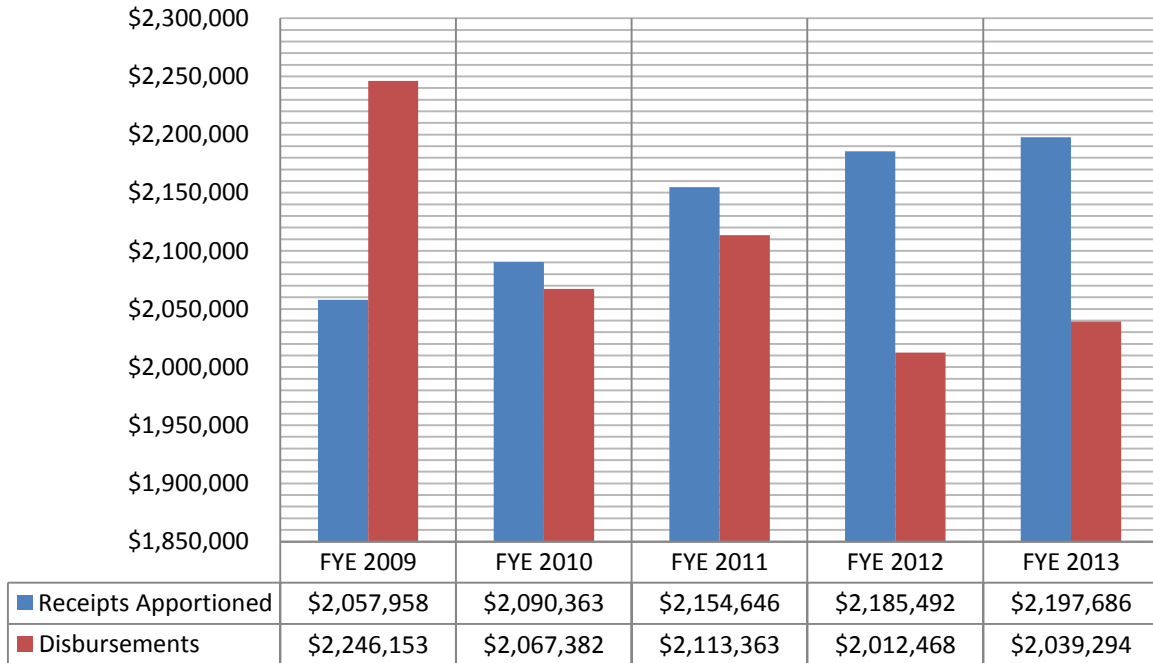
Payroll Expenditures by Department



**OKMULGEE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

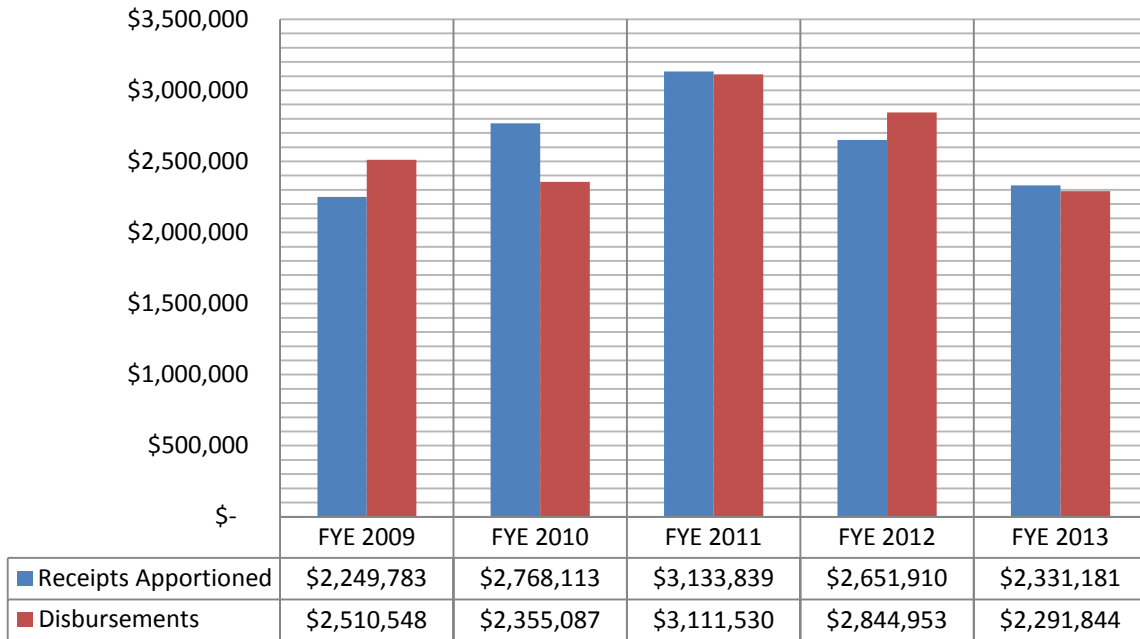
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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.



**OKMULGEE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.



**OKMULGEE COUNTY
OPERATIONAL AUDIT**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 857,153	\$ 2,197,686	\$ 2,039,294	\$ 1,015,545
Highway Cash Fund	522,225	2,331,181	2,291,844	561,562
Highway TCR Fund	853,785	679,569	835,833	697,521
CBRIF-103	21	-	-	21
Half Cent Road Tax	174,409	1,318,519	1,302,074	190,854
County Health	371,480	451,627	418,502	404,605
Resale Property	580,379	427,630	258,769	749,240
CBRIF-105	1,335,099	430,361	28,608	1,736,852
County Use Tax	451,737	178,305	76,713	553,329
County Clerk Preservation Fee	38,867	38,020	26,699	50,188
Sheriff Service Fee	81,272	132,854	128,840	85,286
CDBG Schuller	-	12,250	12,250	-
Sheriff 1/4 Cent Sales Tax	174,864	669,731	757,617	86,978
Anna McBride M.H. CT Grant	60,273	76,172	54,780	81,665
Family Treatment Court	29,300	47,141	55,397	21,044
Court Clerk Revolving Fund	111,791	50,206	54,281	107,716
Emergency Management	12,547	8,270	17,964	2,853
County Clerk Lien Fee	14,489	17,171	18,018	13,642
Drug Court	38,540	143,461	145,258	36,743
County Treasurer Certification Fee	4,825	6,241	2,748	8,318
Sheriff DOC Cash	139	1,866	431	1,574
Assessor Revolving Fund	5,598	1,523	1,254	5,867
County Sinking	8,656	49	-	8,705
Assessor Visual Inspection	10,845	46	-	10,891
Trash COPS Fund	7,872	303	-	8,175
Sheriff Training Fund	30	-	-	30
Sheriff Domestic Violence	422	-	-	422
Sheriff Substance Abuse Grant	81	-	-	81
DARE	3	-	-	3
Sheriff Police School	831	-	-	831
Anti Gang	151	-	-	151
Sheriff COPS Program	118	-	-	118
Child Abuse Prevention	122	-	-	122
Sheriff Commissary	21	-	-	21
Sheriff Reserve Account	685	-	-	685
Sheriff Grant	500	-	423	77
Combined Total - All County Funds as Restated	\$ 5,749,130	\$ 9,220,182	\$ 8,527,597	\$ 6,441,715

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**OKMULGEE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

Description of County Funds

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 Fund – accounts for the general operations of the government.

Highway Cash Fund – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Highway TCR Fund – accounts for revenues from imposed fuel taxes, FEMA reimbursements, interest, and miscellaneous reimbursements. Disbursements are for maintenance, material, and equipment for county roads and highways.

CBRIF-103 – accounts for revenues from interest earned and Oklahoma Department of Transportation (ODOT) disbursements to counties and disbursements are for road projects.

Half Cent Road Tax – accounts for revenues from special sales tax from the State of Oklahoma and interest. Disbursements are for the Okmulgee County road system.

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disposition of sale as restricted by statute.

CBRIF-105 – accounts for revenues from state imposed taxes, Oklahoma Department of Transportation disbursements to counties and interest. Disbursements are for road and bridge projects.

County Use Tax – accounts for sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expense of the County.

County Clerk Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by statute to be used for preservation of records.

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

**OKMULGEE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

CDBG Schuler – accounts for revenues from Community Development Block Grants and disbursements are awarded to Schuler for special projects.

Sheriff 1/4 Cent Sales Tax – accounts for revenues from special sales tax and disbursements are for lawful operations of the Sheriff's office.

Anna McBride M.H. CT Grant – accounts for revenues from state contractual payments, fees, and donations from individuals enrolled in the program, and disbursements are for personal services and maintenance and operation.

Family Treatment Court – accounts for revenues from state contractual payments, fees, and donations from individuals enrolled in the program. Disbursements are for personal services and maintenance and operation.

Court Clerk Revolving Fund – accounts for revenues from court fees earned and disbursements are for personal services and maintenance and operation.

Emergency Management – accounts for revenues from state matching grants, and miscellaneous fees and disbursements are for personal services and maintenance and operation.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statute.

Drug Court – accounts for revenues from state contractual payments, fees, and donations from individuals enrolled in the program, and disbursements are for personal services and maintenance and operation.

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

Sheriff DOC Cash – accounts for revenues from state for the reimbursements of juvenile transports and disbursements are for maintenance and operation.

Assessor Revolving Fund – accounts for the collection of fees for copies and disbursements as restricted by state statute.

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

**OKMULGEE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

Trash COPS Fund – accounts for the state trash cop grant and disbursed for the purpose of trash patrol.

Sheriff Training Fund – accounts for the collection of miscellaneous receipts and unclaimed inmate monies and disbursements for the training of Sheriff deputies.

Sheriff Domestic Violence – accounts for federal grant revenues and disbursements are for domestic violence programs.

Sheriff Substance Abuse Grant – accounts for federal grant revenues and disbursements are for substance abuse programs.

DARE – accounts for revenues from donations and disbursements are for program operations.

Sheriff Police School – accounts for state grant revenues and disbursements are for training.

Anti Gang – accounts for state grant revenues and disbursements are for program operations.

Sheriff COPS Program – accounts for state grant revenues and disbursements are for personal services.

Child Abuse Prevention – accounts for monies from donated juror's fees to be disbursed in accordance with state statute.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department.

Sheriff Reserve Account – accounts for revenues from donations and disbursements are for equipment and for reserve program.

Sheriff Grant – accounts for revenues from a city business grant and disbursements are for equipment needed in the Sheriff's office.

**OKMULGEE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2013**

Reclassification

Due to the reclassification of funds for fiscal year ending June 30, 2013, the beginning balance as reported is different than the June 30, 2012 ending balance. This difference is due to a Certificate of Deposit for County General Fund being reported as trust and agency funds in fiscal year 2012 and a clerical error on Highway TCR Fund apportionments.

Prior Year Ending Balance, as Reported	\$5,677,183
Add: General Fund Certificate of Deposit	\$36,947
Add: Highway TCR Fund	<u>\$35,000</u>
Prior Year Ending Balance, as Restated	<u>\$5,749,130</u>

OKMULGEE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 857,153	\$ 857,153	\$ -
Less: Prior Year Outstanding Warrants	(121,270)	(121,270)	-
Less: Prior Year Encumbrances	(15,967)	(15,967)	-
Beginning Cash Balances, Budgetary Basis	<u>719,916</u>	<u>719,916</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	1,478,534	1,619,406	140,872
Charges for Services	100,000	123,284	23,284
Intergovernmental Revenues	368,250	406,046	37,796
Miscellaneous Revenues	35,613	48,950	13,337
Total Receipts, Budgetary Basis	<u>1,982,397</u>	<u>2,197,686</u>	<u>215,289</u>
Expenditures:			
District Attorney	12,165	11,661	504
County Sheriff	146,460	146,222	238
County Treasurer	91,671	90,786	885
County Commissioners	181,679	177,423	4,256
County Commissioners OSU Extension	50,197	49,576	621
County Clerk	182,044	181,498	546
Court Clerk	99,777	98,200	1,577
County Assessor	96,962	96,850	112
Revaluation	266,295	263,424	2,871
General Government	1,326,839	699,965	626,874
Excise Equalization	3,256	2,314	942
County Election Expense	91,517	90,055	1,462
Purchasing Agent	29,029	28,989	40
Charity	1,000	-	1,000
Highway Budget Account	42,285	41,280	1,005
County Audit Budget Account	61,136	59,114	2,022
Free Fair Budget Account	15,001	15,000	1
Provision for Interest	5,000	517	4,483
Total Expenditures, Budgetary Basis	<u>2,702,313</u>	<u>2,052,874</u>	<u>649,439</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	864,728	<u>\$ 864,728</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		130,123	
Add: Current Year Encumbrances		20,694	
Ending Cash Balance		<u>\$ 1,015,545</u>	

Source: County Estimate of Needs (presented for informational purposes)

**OKMULGEE 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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 371,480	\$ 371,480	\$ -
Less: Prior Year Outstanding Warrants	(4,547)	(4,547)	-
Less: Prior Year Encumbrances	(48,629)	(48,629)	-
Beginning Cash Balances, Budgetary Basis	318,304	318,304	-
Receipts:			
Ad Valorem Taxes	295,707	322,921	27,214
Charges for Services	-	124,633	124,633
Intergovernmental Revenues	-	2,298	2,298
Miscellaneous Revenues	124,633	1,775	(122,858)
Total Receipts, Budgetary Basis	420,340	451,627	31,287
Expenditures:			
County Health Budget Account	738,644	624,393	114,251
Total Expenditures, Budgetary Basis	738,644	624,393	114,251
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis			
	\$ -	145,538	\$ 145,538
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		688	
Add: Current Year Encumbrances		146,700	
Add: Current Year Outstanding Warrants		111,679	
Ending Cash Balance		\$ 404,605	

Source: County Estimate of Needs (presented for informational purposes)

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2013. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2013.

Conclusion: With respect to the finding below, the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal control regarding the financial reporting process.

FINDINGS AND RECOMMENDATIONS

Finding 2013-1 – Inadequate Segregation of Duties – County Treasurer

Condition: Upon inquiry and observation of the County's reporting process it was noted that one employee is reconciling the total cash funds presented on the monthly reports to the general ledger and bank statements without someone other than the preparer reviewing and approving.

Cause of Condition: Policies and procedures have not been designed with regards to segregation of duties and/or compensating controls of the reporting process.

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: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the following key accounting functions of the Treasurer's office be adequately segregated. 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.

Management Response:

County Treasurer: The Treasurer agrees with the Auditor's finding, and in the future this office will try to separate the duties of reconciling the bank statements and the filing of the monthly report so that one deputy is not responsible for both tasks. The County Treasurer will initial and date as evidence of bank reconciliations and monthly reports being reviewed for accuracy.

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.

**OKMULGEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and to be used only for the purpose for which such sales tax was designated.

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County's internal controls provide reasonable assurance that expenditures (other than payroll) were accurately reported in the accounting records.

The County's internal controls do not provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

FINDINGS AND RECOMMENDATIONS

Finding 2013-2 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll process, it was noted that the Payroll Clerk enrolls new hires, makes payroll changes, performs verification reports, prints and distributes payroll checks, and maintains personnel files.

Cause of Condition: Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the payroll process.

**OKMULGEE COUNTY
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Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. 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 approve accounting functions.

Management Response:

County Clerk: We do have checks and balances although we may need more. Each elected official/department head makes the changes for his/her office each month and the Commissioners' Administrative Assistant calculates the highway payroll. The bookkeeper balances and checks for mistakes at that time. Then the bookkeeper gives me the payroll claims for the end of month meeting with the monthly changes and I examine them at that time and attach an affidavit stating so. Also, payroll is included in the minutes so I again compare each employee with his/her salary to double-check that all is correct. By having only one bookkeeper it is difficult to have another employee, besides myself, to check for accuracy, but we are in the process of cross-training the Purchasing Agent for that purpose. I have spoken with my bookkeeper about this.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Okmulgee County
Board of County Commissioners
Okmulgee County Courthouse
Okmulgee, Oklahoma 74447

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2013:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Okmulgee County.

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

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

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

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

January 25, 2016

**OKMULGEE COUNTY, OKLAHOMA
STATUTORY REPORT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-3 - Inadequate Segregation of Duties Over Court Clerk's Purchasing Process (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk's purchasing process, it was noted that all employees can issue a claim, prepare the voucher, sign the voucher, and mail the voucher.

Cause of Condition: Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the purchasing process.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 approve accounting functions.

Further, the duties of posting to the ledgers should be separated from the printing and distribution of payments.

Management Response:

Court Clerk: We will do our best to correct the purchasing procedure, however if this is a voucher coming from Court Fund, only I or my first deputy can write a voucher from this account.

Auditor Response: The duties regarding the Court Clerk's expenditures process are not adequately segregated.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

Finding 2013-4 - Inadequate Internal Controls Over Signature Stamps - Court Clerk (Repeat Finding)

Condition: While gaining an understanding of the purchasing process, we noted that the Court Clerk's office has control of the signature stamps for the District Judges and the stamps are located in an unsecured area.

Cause of Condition: District Judges do not have physical control of their signature stamps.

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Effect of Condition: This condition could result in the unauthorized transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

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:

Court Clerk: In response to the signature stamps, we will do what we can to secure the stamps by putting them under our counter.

Auditor Response: Signature stamps should only be used by owner of the stamp. Access to signature stamps should not be provided to anyone.

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 2013-5 - Inadequate Internal Controls and Noncompliance Over Court Fund Claims (Repeat Finding)

Condition: During our test of twenty-five (25) Court Fund claims for the fiscal year 2013, the following was noted:

- Two (2) claims tested were not properly approved.
- One (1) claim did not have proper receiving documentation.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure detailed supporting documentation is maintained and proper approval obtained for all expenditures.

Effect of Condition: These conditions could result in misappropriation of assets and resulted in noncompliance with state statute.

Recommendation: OSAI recommends that the Court Clerk implement policies and procedures to ensure expenditures have properly approved claims and maintain supporting documentation and comply with 20 O.S. § 1304, that outlines procedures for expending Court Fund monies, including proper approval and receiving documentation.

Management Response:

Court Clerk: In response to the claims, we will ensure all claims have the proper approvals and receiving documentation attached.

**OKMULGEE COUNTY, OKLAHOMA
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Criteria: Effective accounting procedures include maintaining supporting documentation for all expenditures of the Court Fund. Supporting documentation and proper approval are necessary to ensure a proper accounting of funds.



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