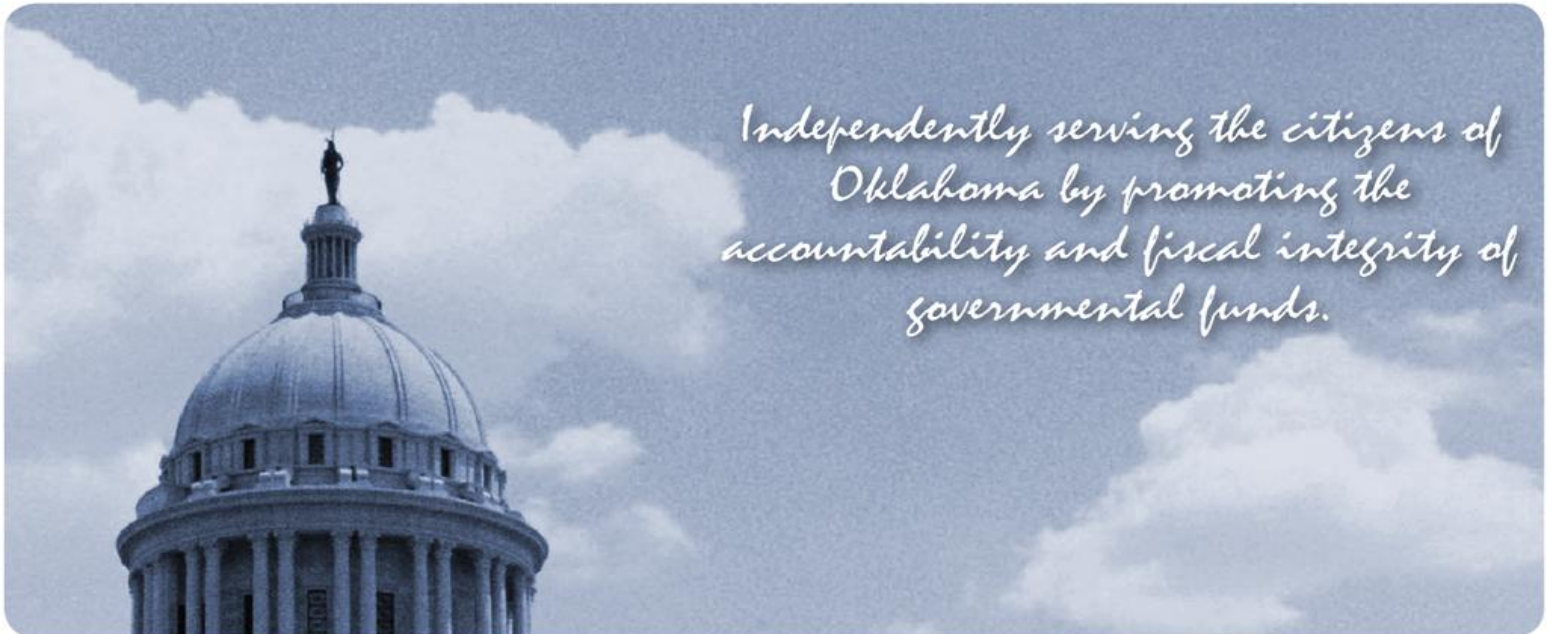


OPERATIONAL AUDIT

OKMULGEE COUNTY

For the fiscal year ended June 30, 2014



*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, 2014**

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 the fiscal year ended June 30, 2014.

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 written in a cursive style.

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

**OKMULGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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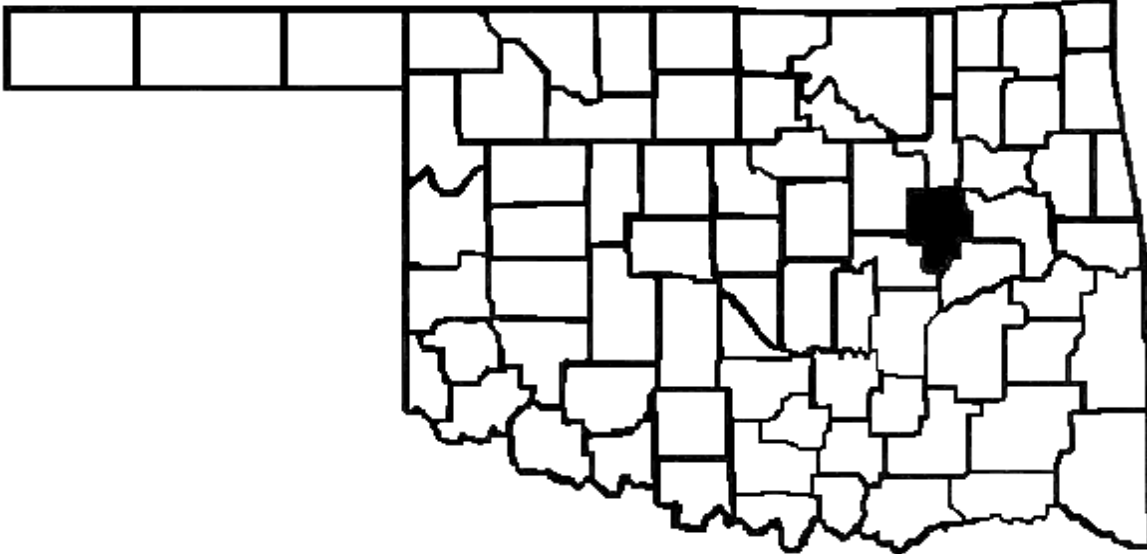
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**OKMULGEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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, 2014**

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

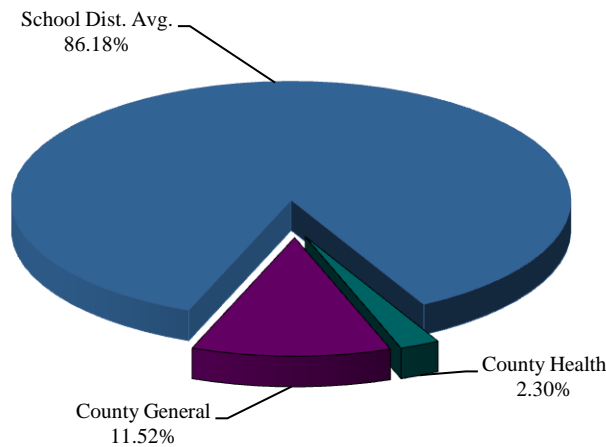
Linda Beaver

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, 2014**

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	Career Tech		Total
								Building	Common	
County General	10.20									
County Health	2.04	Okmulgee	I-1	35.35	5.05	17.71	10.20	2.04	4.08	74.43
		Henryetta	I-2	35.70	5.10	10.94	10.20	2.04	4.08	68.06
		Morris	I-3	36.40	5.20	17.02	10.20	2.04	4.08	74.94
		Beggs	I-4	36.05	5.15	23.40	10.20	2.04	4.08	80.92
		Preston	I-5	35.70	5.10	26.55	10.20	2.04	4.08	83.67
		Schulter	I-6	36.05	5.15	26.59	10.20	2.04	4.08	84.11
		Wilson	I-7	36.40	5.20	16.23	10.20	2.04	4.08	74.15
		Dewar	I-8	36.05	5.15	14.90	10.20	2.04	4.08	72.42
		Twin Hills	C-11	36.05	5.15	23.56	10.20	2.04	4.08	81.08
		Tulsa	T-14	36.05	5.15	22.01	8.24	5.15	4.08	80.68
		Creek	I-5	35.70	5.10	27.30	10.20	3.06	4.08	85.44
		Muskogee	I-2	36.40	5.20	20.98	8.16	2.04	4.08	76.86
		McIntosh	I-19	36.05	5.15	24.05	8.16	2.04	4.08	79.53
		McIntosh	I-27	35.70	5.10	10.18	8.16	2.04	4.08	65.26
		Okfuskee	I-31	36.05	5.15	27.91	5.15	-	4.08	78.34
		Okfuskee	I-32	36.05	5.15	4.07	5.15	-	4.08	54.50

**OKMULGEE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

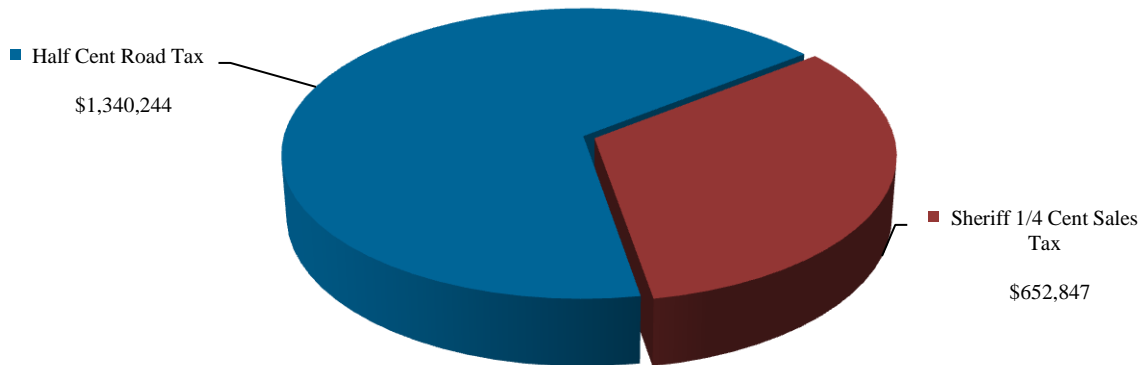
The funds are accounted for in a cash fund as reported on the County's financial statements as Half Cent Road Tax.

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.

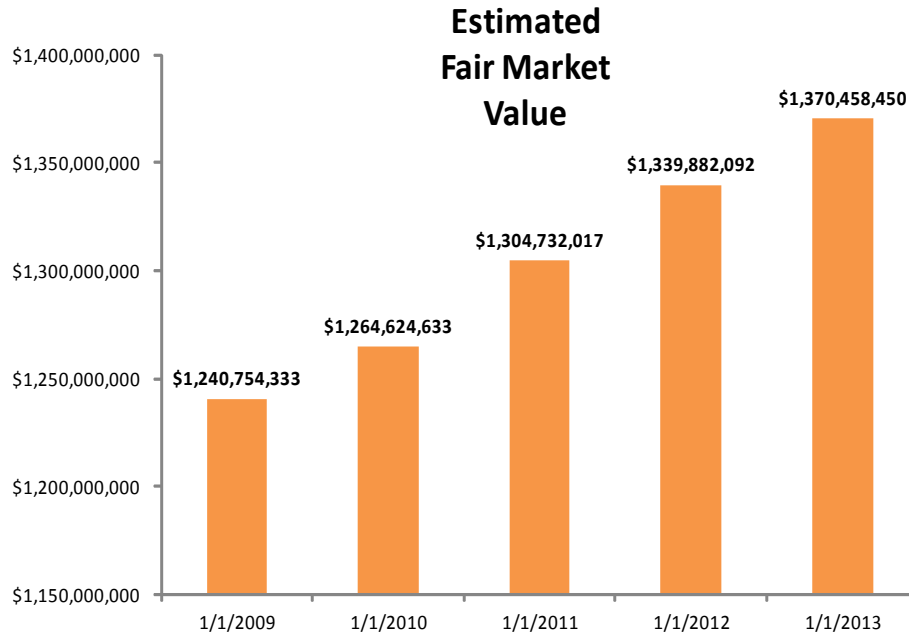
These funds are accounted for in cash funds as reported on the County's financial statements as Sheriff's 1/4 Cent Sales Tax.

During the fiscal year the County collected \$1,993,091 in total sales tax.



**OKMULGEE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

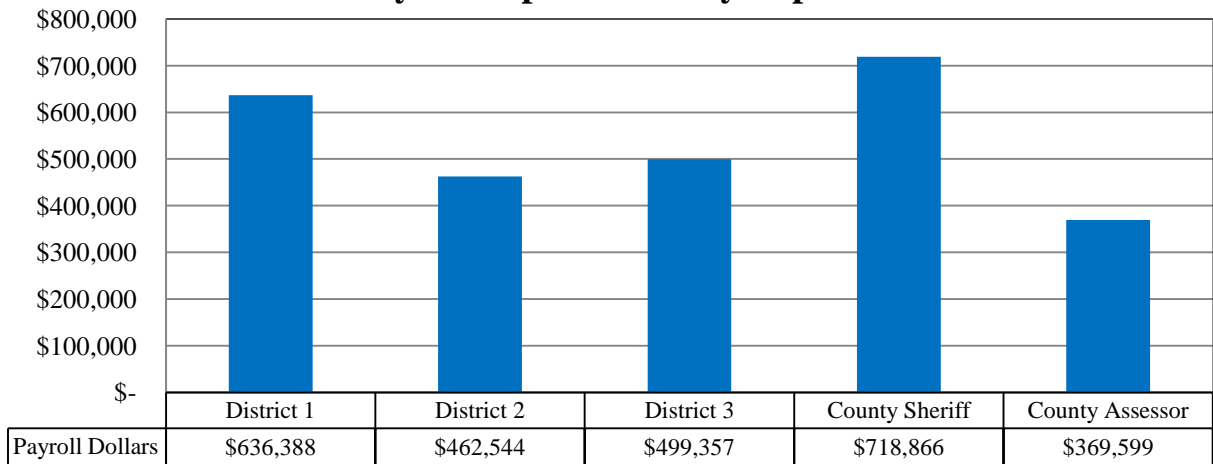
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$33,248,528	\$23,947,339	\$117,012,074	\$9,752,927	\$164,455,014	\$1,370,458,450
1/1/2012	\$33,633,369	\$23,906,485	\$113,117,417	\$9,871,420	\$160,785,851	\$1,339,882,092
1/1/2011	\$31,376,644	\$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



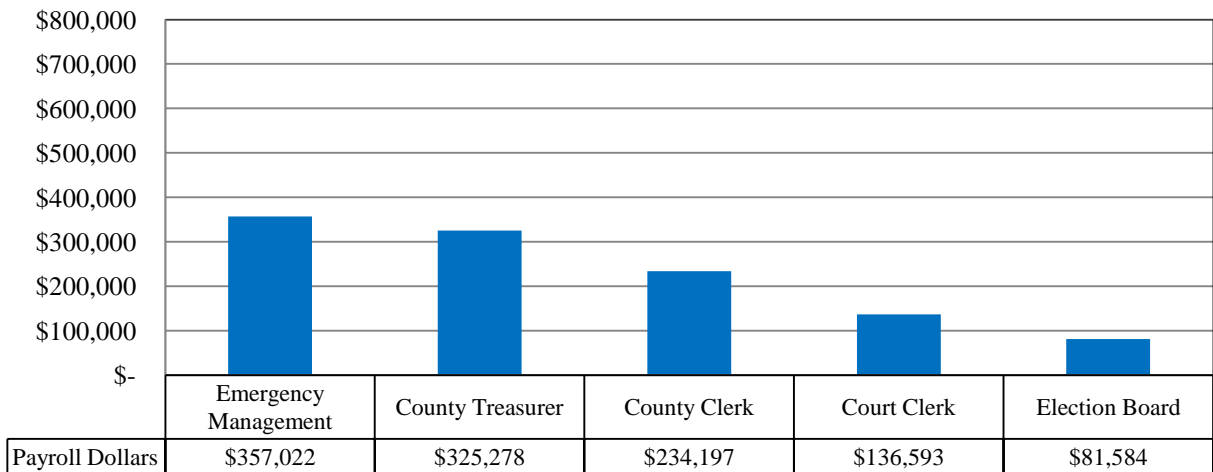
**OKMULGEE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014.

Payroll Expenditures by Department



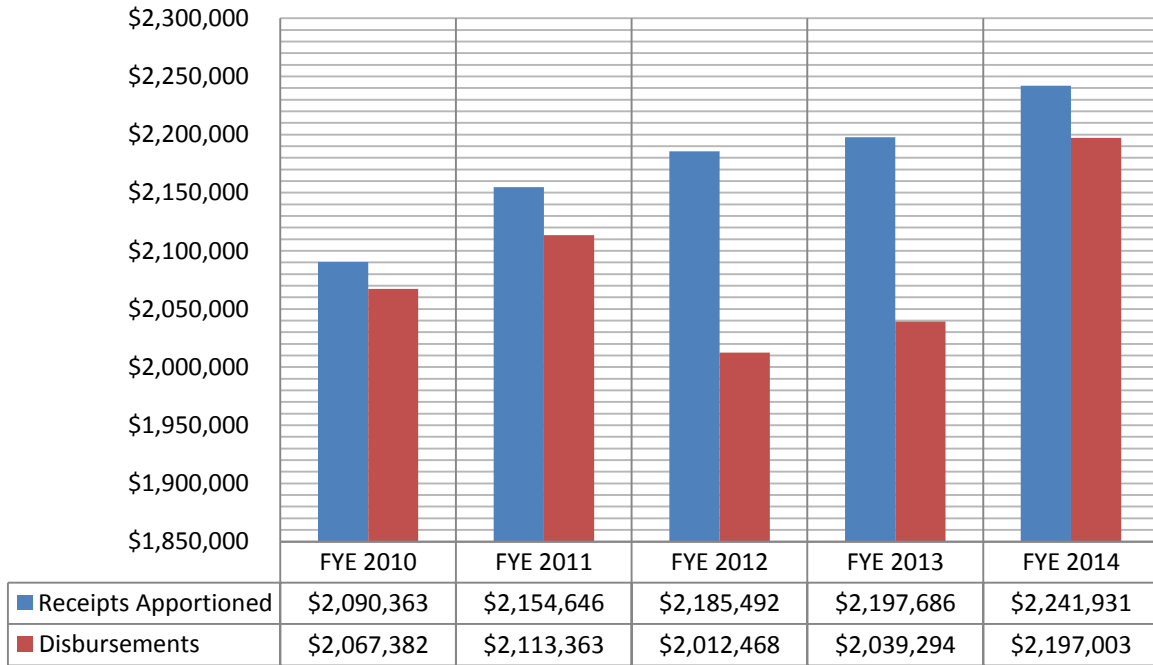
Payroll Expenditures by Department



**OKMULGEE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

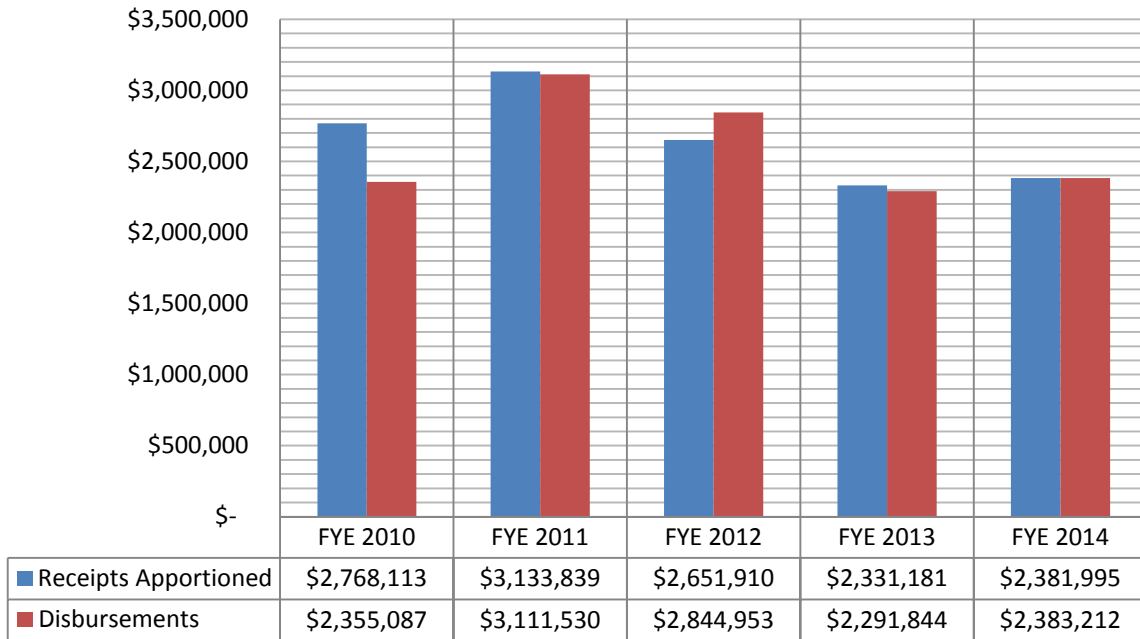
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2014**

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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 1,015,545	\$ 2,241,931	\$ -	\$ 12,952	\$ 2,197,003	\$ 1,047,521
Highway Cash Fund	561,562	2,381,995	-	-	2,383,212	560,345
Highway TCR Fund	697,521	691,275	-	-	640,103	748,693
CBRIF-103	21	-	-	-	-	21
Half Cent Road Tax	190,854	1,340,244	-	-	1,353,840	177,258
County Health	404,605	481,574	-	-	477,211	408,968
Resale Property	749,240	367,465	-	-	323,189	793,516
CBRIF-105	1,736,852	476,073	-	-	128,969	2,083,956
County Use Tax	553,329	149,451	-	-	128,577	574,203
County Clerk Preservation Fee	50,188	38,515	-	-	25,351	63,352
Sheriff Service Fee	85,286	159,856	-	-	173,632	71,510
Sheriff 1/4 Cent Sales Tax	86,978	652,847	-	-	681,393	58,432
Anna McBride M.H. CT Grant	81,665	59,159	-	-	54,149	86,675
Family Treatment Court	21,044	52,230	-	-	52,120	21,154
Court Clerk Revolving Fund	107,716	63,817	-	-	82,491	89,042
Emergency Management	2,853	27,051	-	-	20,430	9,474
County Clerk Lien Fee	13,642	17,899	-	-	17,316	14,225
Drug Court	36,743	174,710	-	-	148,825	62,628
County Treasurer Certification Fee	8,318	5,631	-	-	2,373	11,576
Sheriff DOC Cash	1,574	455	-	-	1,184	845
Assessor Revolving Fund	5,867	1,859	-	-	291	7,435
County Sinking	8,705	47	-	-	-	8,752
Assessor Visual Inspection	10,891	34	-	-	1,262	9,663
Trash Cops Fund	8,175	8	-	-	-	8,183
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	77	-	-	-	-	77
Combined Total - All County Funds	\$ 6,441,715	\$ 9,384,126	\$ -	\$ 12,952	\$ 8,892,921	\$ 6,919,968

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

**OKMULGEE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

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, 2014**

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.

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

**OKMULGEE COUNTY
DESCRIPTION OF COUNTY FUNDS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR JUNE 30, 2014**

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, 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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,015,545	\$ 1,015,545	\$ -
Less: Prior Year Outstanding Warrants	(130,123)	(130,123)	-
Less: Prior Year Encumbrances	(20,694)	(20,694)	-
Beginning Cash Balances, Budgetary Basis	<u>864,728</u>	<u>864,728</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	1,476,353	1,614,181	137,828
Charges for Services	62,264	119,127	56,863
Intergovernmental Revenues	363,500	437,078	73,578
Miscellaneous Revenues	30,956	71,545	40,589
Total Receipts, Budgetary Basis	<u>1,933,073</u>	<u>2,241,931</u>	<u>308,858</u>
Expenditures:			
District Attorney	12,165	12,026	139
County Sheriff	177,281	177,062	219
County Treasurer	103,970	103,394	576
County Commissioners	214,144	209,926	4,218
County Commissioners OSU Extension	52,541	52,494	47
County Clerk	197,514	196,142	1,372
Court Clerk	120,176	117,875	2,301
County Assessor	109,261	107,869	1,392
Revaluation	274,617	272,930	1,687
General Government	1,318,474	780,224	538,250
Excise Equalization	3,669	2,054	1,615
County Election Expense	92,451	90,828	1,623
Purchasing Agent	30,280	29,592	688
Charity	1,000	250	750
Highway Budget Account	46,313	44,171	2,142
County Audit Budget Account	17,944	4,161	13,783
Free Fair Budget Account	21,001	20,963	38
Provisions for Interest on Warrants	5,000	-	5,000
Total Expenditures, Budgetary Basis	<u>2,797,801</u>	<u>2,221,961</u>	<u>575,840</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	884,698	<u>\$ 884,698</u>
Interfund Transfers:			
Interfund Transfer Out		(12,952)	
Net Interfund Transfers		<u>(12,952)</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		146,579	
Add: Current Year Encumbrances		29,196	
Ending Cash Balance		<u>\$ 1,047,521</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, 2014**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 404,605	\$ 404,605	
Less: Prior Year Outstanding Warrants	(111,679)	(111,679)	-
Less: Prior Year Encumbrances	(146,700)	(146,700)	-
Beginning Cash Balances, Budgetary Basis	146,226	146,226	-
Receipts:			
Ad Valorem Taxes	295,271	322,270	26,999
Charges for Services	-	156,620	156,620
Intergovernmental Revenues	-	1,694	1,694
Miscellaneous Revenues	156,620	990	(155,630)
Total Receipts, Budgetary Basis	451,891	481,574	29,683
Expenditures:			
County Health Budget Account	598,117	240,427	357,690
Total Expenditures, Budgetary Basis	598,117	240,427	357,690
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	387,373	\$ 387,373
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		235	
Add: Current Year Outstanding Warrants		21,360	
Ending Cash Balance		\$ 408,968	

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, 2014. 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.

**OKMULGEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2014.

Conclusion: With respect to 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 2014-1 – Inadequate Segregation of Duties – County Treasurer (Repeat Finding)

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 Auditors findings, 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, 2014**

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 2014-2– Inadequate Segregation of Duties Over 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.

**OKMULGEE COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cause of Condition: Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the payroll 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 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, 2014:

- 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
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-3 - 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 2014-4 - Inadequate Internal Controls Over Signature Stamps (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.

**OKMULGEE COUNTY, OKLAHOMA
STATUTORY REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

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 2014-5 - District Court Voided Receipts

Condition: During our test of District Court voided receipts for fiscal year 2014, three (3) of twenty-five (25) receipts tested were not properly marked as voided.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure voided receipts are properly marked.

Effect of Condition: These conditions could result in misappropriation of assets.

Recommendation: OSAI recommends that the Court Clerk implement policies and procedures to ensure all voided receipts are properly marked.

Management Response:

Court Clerk: We will ensure that all voided receipts are properly retained and marked void.

Criteria: Effective accounting procedures are necessary to ensure the stewardship and accountability of public funds. An important aspect of effective accounting procedures includes ensuring voided receipts are properly marked.



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