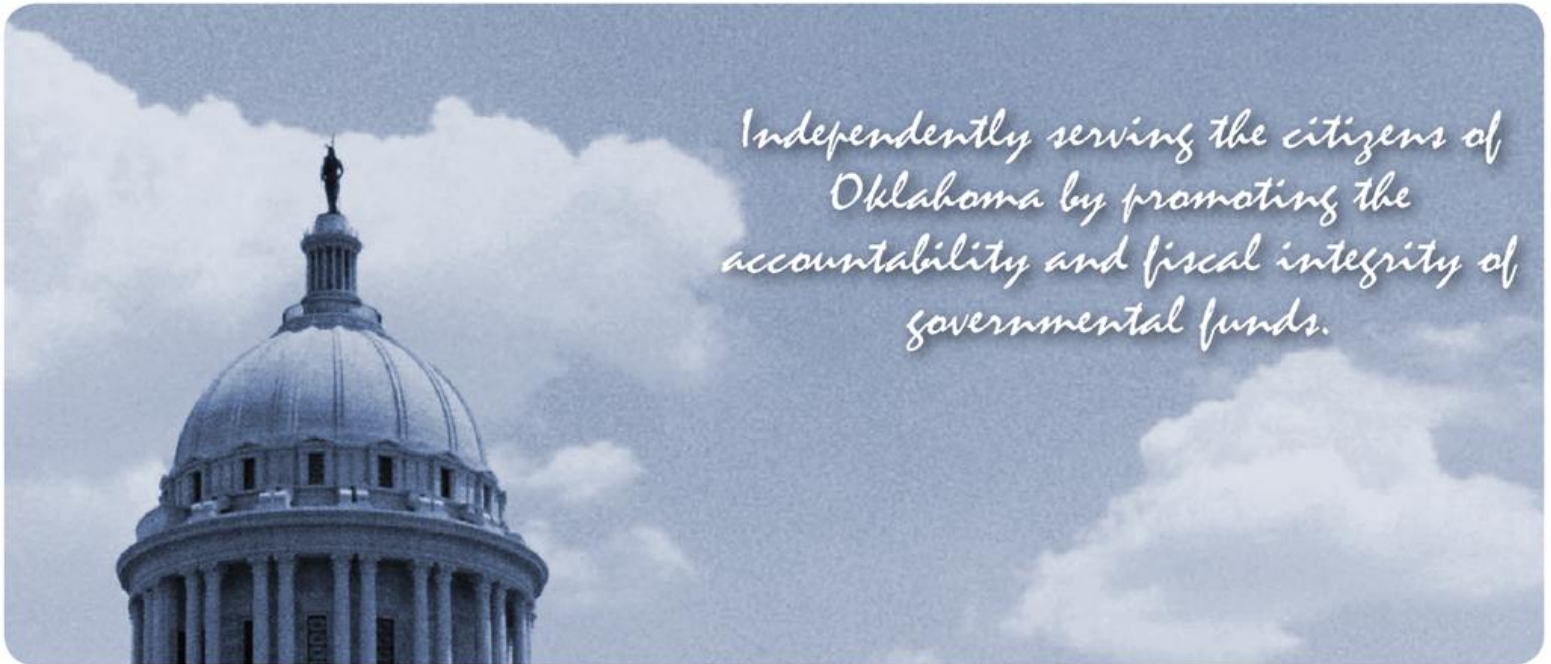


STATUTORY REPORT

# OKMULGEE COUNTY TREASURER

February 16, 2016



*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

**VONNA LAMPKINS, COUNTY TREASURER  
OKMULGEE COUNTY, OKLAHOMA  
TREASURER STATUTORY REPORT  
FEBRUARY 16, 2016**

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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

May 23, 2016

BOARD OF COUNTY COMMISSIONERS  
OKMULGEE COUNTY COURTHOUSE  
OKMULGEE, OKLAHOMA 74447

Transmitted herewith is the Okmulgee County Treasurer Statutory Report for February 16, 2016. The engagement was conducted in accordance with 74 O.S. § 212.

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



# Oklahoma State Auditor & Inspector

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Vonna Lampkins, Okmulgee County Treasurer  
Okmulgee County Courthouse  
Okmulgee, Oklahoma 74447

Dear Ms. Lampkins:

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

- Determine whether bank reconciliations are properly performed, visually verify the certificates of deposit, and confirm the investments.
- Determine whether subsidiary records are reconciled to the general ledger.
- Determine whether deposits and invested funds are secured by pledged collateral.

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 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.

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

March 7, 2016

## SCHEDULE OF FINDINGS AND RESPONSES

### **Finding 2016-1 – Inadequate Internal Controls Over the General Ledger, Segregation of Duties and Noncompliance with State Statutes**

**Condition:** During our review on February 16, 2016, the following was noted:

- Upon inquiry and observation of the County's reporting process, it was noted that one employee is posting to the general ledger and also reconciling the bank statements.
- We were unable to obtain a general ledger balance for February 16, 2016, due to the month of January not being reconciled.
- The CDBG County Fairgrounds Fund had a cash balance deficit in the amount of \$119,802.05 due to issuing a warrant prior to funds being available.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regards to segregation of duties and to ensure that daily activity is posted to the general ledger in a timely manner.

In addition, procedures have been designed by state statute requiring the Treasurer's office to determine if funds are available prior to registering warrants. However, the County did not follow state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statute regarding expending amounts greater than funds available. Further, these conditions could result in unrecorded transactions, misstated financial reports, and undetected errors.

**Recommendation:** The Oklahoma State Auditor & Inspector (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 concentration of duties that include posting activity to the general ledger daily.

Further, OSAI also recommends the County Treasurer verify cash is available to the fund prior to the registration of any warrants. In addition, we recommend the County Treasurer follow the procedures outlined in 62 O.S. § 471-476 for registering warrants.

### **Management Response:**

**County Treasurer:** This office reconciles bank statements for all funds at the end of the month; as soon as we receive the statements from the bank. We get the bank statements at the end of the second business working day of the next month. We reconcile each bank account to ensure that no errors have been made and if any errors are found they are corrected before the closeouts for each department ledger is given to them. After each bank statement is reconciled and in agreement with the bank balances on the general ledger; then and only then is the apportionment done. The apportionment amounts are then applied to each account. The daily's (which we call our daily packet that holds only a summary of the day's

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business) are entered and attached to the General Ledger which at that time has a balanced fund in each account. I feel the general public who has any understanding at all about accounting would understand the importance of reconciling all bank statements for accurate fund balances before disbursing funds to any account.

I have placed my Chief Deputy in charge of the reconciling of the bank statements; monthly apportionment; monthly reports to the State Auditors that is due on or before the tenth day of each month; and doing the interest that accrues for all the accounts each month. She has been in charge of entering the daily's since accepting the position as Chief Deputy. She has had the opportunity to train one other deputy to input the daily information and that deputy has since taken a better paying job within the courthouse but is a State Job. I myself check over her reconciling the bank statements; apportionment; monthly's and daily's that she inputs into the system. I initial each one by her name; which means by doing so I have checked her work.

My Chief Deputy had the month of January reconciled and apportionment was done; but due to unforeseen circumstances that has taken place with not only her family and other employees within the office including myself the daily's were not entered in as of the date the State Auditor's came in for the annual review. She came in that evening (the very same day that her husband had (5) bypasses done) to finish inputting the daily's; etc. to provide the auditor's with the necessary information that was needed for the auditor's to complete their review.

The CDBG account is set up by a Letter of Intent at the beginning of the project. The account will show a negative balance; even though it isn't due to the fact the money has been received within the miscellaneous receipts until the money is apportioned to each account on the General Ledger at the end of the month. The CDBG accounts were set up by Letter of Intent so the Contractor's did not have to wait until the project was completed before a draw could be made against the funds with the Department of Commerce. This was approved by previous staff that worked for the State Auditor's office back in the year 2006 and this procedure has been followed ever since then.

**Auditor Response:** OSAI has prescribed procedures for encumbering funds based on a Letter of Intent from an awarding agency. However, a warrant should not be issued until funds are received and apportioned.

**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 posted to the General Ledger daily.

Further, safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as verifying that there is sufficient cash on hand prior to registering warrants is a deficiency in internal control.

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Title 68 O.S. § 3003 (C) allows the recipient government to encumber funds in an amount not to exceed the sum of the total letter of commitment, which is a binding commitment of funding which the recipient government will receive for the project or projects eligible for such federal funding. The encumbrance of funds authorized by this section shall be made in accordance with procedures prescribed by the State Auditor and Inspector and shall be administered in accordance with rules and regulations concerning such distribution adopted by the federal government and the state agency, board, or commission. Any expenditure incurred by the recipient government using the letter of commitment appropriation process and disallowed by the federal government or state agency, board, or commission administering the funds shall be paid by the recipient government.



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