

However, the budget format omitted a “budget message” to “explain the budget and describe its important features,” as required by **O.S. 11 § 17-206**. Some improvements should be made to the budget format being used by the City to fully comply with the Municipal Budget Act.

Finding

A substantial amount of the bookkeeping and financial transaction processing and reporting is being done by the City’s contracted accounting firm.

The City of New Cordell contracts with R. S. Meacham CPAs & Advisors of Clinton, OK, (the firm) for bookkeeping, payroll, budgeting, check/warrant preparation and financial statement preparation. The firm records and processes purchase order and payroll transactions for the City’s General Fund and the NCUA operating account, the City’s two largest and most active funds/bank accounts. The checks/warrants prepared by the firm are returned to the city treasurer’s office to be signed and distributed.

The city treasurer maintains checkbooks in-house for the less active bank accounts and writes manual checks from those accounts, as necessary. At month-end, the treasurer sends the unopened bank statements to Meacham. The firm inputs the remainder of bank account transactions, other than the General and NCUA transactions already recorded, into the accounting software from the bank statements.

The firm performs bank reconciliations. After the reconciliations are done, the firm returns the bank statements to the city treasurer. This provides an important segregation of duties between city officials generating purchasing transactions and disbursements, the reconciliation of the bank statements, the recording of the City’s/NCUA disbursements, as well as the compilation of the financial reports.

Under present audit standards, a CPA firm cannot consult with or compile the financial statements for an entity, and then also perform an audit of those financial statements, as had been the common practice in the past. This is one reason why the City now contracts significant accounting and consulting services, while also contracting with *a different CPA firm* for an *audit* of its financial statements.

Recommendation

As noted before, a “budget message” discussing the important features of the budget, significant changes from prior budgets and additional explanation to help the reader/citizen understand the City’s plans for the next fiscal year should be included with the budget summaries and three fiscal years’ data to fully comply with the Municipal Budget Act.