

STATUTORY REPORT

ADAIR COUNTY TREASURER

January 31, 2013



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**JANICE BREWER, COUNTY TREASURER
ADAIR COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
JANUARY 31, 2013**

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Oklahoma State Auditor & Inspector

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August 22, 2013

BOARD OF COUNTY COMMISSIONERS
ADAIR COUNTY COURTHOUSE
STILWELL, OKLAHOMA 74960

Transmitted herewith is the Adair County Treasurer Statutory Report for January 31, 2013. 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".

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



Oklahoma State Auditor & Inspector

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Janice Brewer, Adair County Treasurer
Adair County Courthouse
Stilwell, Oklahoma 74960

Dear Ms Brewer:

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 Adair 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

February 12, 2013

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-1—Cash on Hand Balances

Condition: The total amount of cash held on hand in all offices does not agree to the amount reflected on the general ledger at January 31, 2013. The general ledger reflected \$115.00. The total amount of cash held in offices was \$200.00.

Cause of Condition: The balances of cash held in offices was increased but was not updated on the general ledger.

Effect of Condition: This condition resulted in the general ledger being misstated in the amount of \$85.00.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends management be aware of this condition, and implement procedures to ensure cash balances held in all offices are accurately reported on the general ledger.

Management Response: The general ledger reflects petty cash held by offices as \$115.00. Upon audit it was reported as actually being \$200.00. The Treasurer was not informed about the increase of \$85.00 petty cash being held by the health department.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To ensure a proper accounting of funds, total cash held in each office should be accurately recorded on the Treasurer's general ledger.

Finding 2013-2—Segregation of Duties

Condition: The duties regarding the collections process are not adequately segregated. We noted the following:

- All employees work from one cash drawer.
- Two employees are assigned the duty of issuing receipts, balancing the cash drawer, and preparing the deposit.
- One employee is assigned the duties of recordkeeping and reconciling bank accounts with the general ledger. This employee also has access to issue receipts.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties.

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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. Additionally, working from one cash drawer could lead to misappropriation of funds.

Recommendation: OSAI recommends that 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 approval of accounting functions.

Management Response: Due to limited staff some duties overlap, but more diligence will be used to assure that personnel receiving funds are not also depositing the funds.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting, reconciling the cash drawer, preparing and making deposits, and reconciling account balances should be segregated.

Finding 2013-3—Subsidiary Reconciliation

Condition: Monthly reconciliations are performed to reconcile the cities and towns subsidiary ledger to the general ledger. However, during the months of February and March 2008, an error was made in remitting an apportionment that resulted in a variance in the amount of \$1,455.64. This error was still reflected as a reconciling item at January 31, 2013.

Cause of Condition: Policies and procedures have not been designed and implemented to properly reconcile the cities and towns subsidiary ledger to the general ledger.

Effect of Condition: This condition resulted in funds not being properly remitted to cities and towns and the variance is still reflected as a reconciling item five years later.

Recommendation: OSAI recommends that the Treasurer research this issue and properly remit funds to the entity to which they belong. Further, an accurate reconciliation should be performed with all errors identified and corrected.

Management Response: In March of 2008, the motor vehicle tax transferred from Oklahoma Tax Commission reported to the County Clerk was reported incorrectly in the amount of \$1,455.65. The correct amount was apportioned on the general ledger. This error was corrected on the February, 2013 report to the County Clerk and corrected vouchers were issued to the cities and towns. The general ledger now shows a zero balance for this entity.

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Criteria: Safeguarding controls are an 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 maintaining subsidiary ledgers and reconciling them to the general ledger, are deficiencies in internal control.



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