ALFALFA COUNTY TREASURER

Statutory Report

April 30, 2022
June 29, 2022

BOARD OF COUNTY COMMISSIONERS
ALFALFA COUNTY COURTHOUSE
CHEROKEE, OKLAHOMA 73728

Transmitted herewith is the Alfalfa County Treasurer Statutory Report for April 30, 2022. 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,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR
Dear Ms. Vetter:

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 Alfalfa 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.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR  

June 20, 2022
SCHEDULE OF FINDINGS AND RESPONSES


Condition: Upon inquiry and observation of the County Treasurer's office, the following weaknesses were noted:

- There is an unreconciled variance on the general ledger of $98,255 between the total bank balances to the total fund balances.
- There is a negative net total reported from one department totaling $18,133 on the official depository ledger.
- The County Treasurer’s office is not performing monthly bank reconciliations in a timely manner.
- When reconciliations are performed, the County Treasurer’s office continues to reconcile the bank accounts and ledgers with unsubstantiated reconciling items and negative balances.
- The County has a Trust and Agency bank account totaling $201,837 under the County’s Employer Identification Number (EIN).
- Supporting documents could not be provided for reconciling items on the April 30, 2022 bank statement reconciliations. As a result, the following unreconciled variances were noted:

  o There is an unreconciled variance of $8,088,559 in the General account.
  o There is an unreconciled variance of $7,608,738 in the Ad Valorem Tax Collection account.
  o There is an unreconciled variance of $2,350,234 in the MMDA account.
  o There is an unreconciled variance of $1,948,715 in the MISC OSW account.
  o There is an unreconciled variance of $1,933,649 in the Daily Receipts account.
  o There is an unreconciled variance of $115,223 in the Electronic Transfer Holding account.
  o There is an unreconciled variance of $40,088 in the Official Depository account.
  o There is an unreconciled variance of $15,944 between the County Treasurer’s general ledger and the official depository ledger.
  o There is an unreconciled variance of $3,081 in the 2020 Protest Tax account.
  o There is an unreconciled variance of $337 in the ARPA account.
  o There is an unreconciled variance of $278 in the Protest Tax account.
  o There is an unreconciled variance of $185 in the ETR account.
  o There is an unreconciled variance of $1 in the 2019 Protest Tax account.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and the amounts recorded on the bank accounts and ledger account balances are complete and accurate. Additionally, policies and procedures have not been designed and implemented to ensure reconciling items are resolved in a timely manner or that trust and agency accounts are reported under their own EIN.
Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County design procedures to ensure that all activity on all bank statements is complete and accurate. We recommend that all accounts be reconciled on a monthly basis and in a timely manner and that trust and agency accounts have their own EIN if needed.

Management Response:
County Treasurer: Sometime during fiscal year 2021, the Alfalfa County Treasurer’s Office was notified that in three years, our current software company would no longer be handling the software for Treasurers. At this point, after having a discussion between myself and my deputies, we decided we would go ahead and change for the fiscal year 2022. I also decided we would do our original software along with the new company’s software to make sure that both systems had the same results. It was a good idea but looking back I feel we should have concentrated on learning the new system. Rather than pay to have the fiscal year 2021 taxes on both systems and have to do double data entry for taxes, in November we discontinued doing both systems. We struggled with learning the new system, but in the last two or three months, we have become more familiar and are feeling better about it. That being said we are behind with our general ledgers and reconciliations. We have continued to make sure bank statements and warrant register are matching, making sure bank statement deposits and our system agree.

I have also contacted our software company, who have in turn contacted another County Treasurer who will be contacting us and coming to help us get this all current.

Auditor Response: Bank reconciliations and general ledger reconciliations are mandatory procedures to ensure accountability. These reconciliations should be performed in a timely manner. This has been a repeat finding since 2018.

Criteria: The United States Government Accountability Office’s Standards for Internal Control in the Federal Government (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states in part:

Internal Control System Monitoring
Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.