

STATUTORY REPORT

ALFALFA COUNTY TREASURER

December 31, 2012



*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

**VALERIE VETTER, COUNTY TREASURER
ALFALFA COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
DECEMBER 31, 2012**

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Oklahoma State Auditor & Inspector

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January 25, 2013

BOARD OF COUNTY COMMISSIONERS
ALFALFA COUNTY COURTHOUSE
CHEROKEE, OKLAHOMA 73728

Transmitted herewith is the Alfalfa County Treasurer Statutory Report for December 31, 2012. 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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Valerie Vetter, Alfalfa County Treasurer
Alfalfa County Courthouse
Cherokee, Oklahoma 73728

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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

January 10, 2013

**VALERIE VETTER, COUNTY TREASURER
ALFALFA COUNTY, OKLAHOMA
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-1— Segregation of Duties and Lack of Controls Over the Treasurer’s Office

Condition: The County Treasurer’s office has one full-time deputy and one part-time deputy. Both deputies and the Treasurer issue receipts. The full-time deputy also reconciles the cash drawer to the daily receipts issued, prepares the deposit, and takes the deposit to the bank. Only one cash drawer is utilized for the office.

Cause of Condition: The deputies are inexperienced and are not trained in all duties of the office.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. 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. Additionally, to safeguard assets from theft or misappropriation, we recommend that the Treasurer utilize individual cash drawers for each deputy receiving collections and issuing receipts.

Management Response: As stated previously, it is the goal of this office to implement segregation of duties in the best manner possible for an office our size. Most of the days, one deputy does the receipting of money and the other deputy does the end of the day check out. There are times when, in order to keep both deputies busy, they will both issue receipts. The Treasurer continues to do the Excel spreadsheet which provides a double check for the day’s work. At this time, I do not feel that it is feasible to have more than one cash box.

I also feel that it is important you be informed that both deputies are new to the full-time position, and they started in the Treasurer’s office on October 1, 2012. I am trying to get them trained in the duties of the office and have sent both deputies to classes provided by OSU for Treasurers. Having two new deputies starting just before the tax season has been a challenge. Both deputies are eager to learn and will be an asset to the office. I will continue to train the deputies in more duties and I am sending them to the OSU classes as they are provided.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorizations should be segregated.

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Finding 2013-2— Timely and Accurate Transaction Posting

Condition: At the date of the review, January 7, 2013, the following exceptions were noted in the timely posting of records:

- The general ledger was posted as of December 31, 2012.
- During this time, daily activity had not been posted to the general ledger for four business days.
- The December monthly apportionment report had not been completed.
- The Treasurer's December monthly report to OSAI had not been completed.
- The bank statements were not reconciled to the general ledger accounts for the month of December, 2012.

Effect: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the Treasurer use the online banking process to reconcile the general ledger to the bank accounts. In addition, we recommend the Treasurer train the other deputies to perform these duties so that reports are accurately and timely prepared.

Management Response: When doing the end of the month reporting in the computer system, the general ledger is locked after completing the last day of the month reporting. It remains locked until the end of the month activity is completed. Daily activity continues as normal up to the printing of the general ledger. The apportionment report has been completed and sent to the County Clerk's office for signature. Again, other steps must be completed, before it can be posted to the general ledger and printed.

December's OSAI report was printed and mailed on January 10, 2013. The Treasurer's office does not receive bank statements until two or three days following the end of the month. It was suggested, since we do bank online, that I print statements out myself. The bank will not allow me to print out all warrants and vouchers with statements; I am at the mercy of the banks on this. After receiving bank statements, warrants must be cut apart, separated, added, and posted to the computer before any reconciliation can take place. The Treasurer will continue to complete the end of month activity as quickly as possible without allowing cause for error. The general ledger will be updated as soon as the end of the month activity is completed.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, funds in the County should be included in the general ledger accounting system on a timely basis.



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