

STATUTORY REPORT

# ALFALFA COUNTY TREASURER

April 28, 2017



*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  
APRIL 28, 2017**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 74 O.S. § 212, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

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June 28, 2017

BOARD OF COUNTY COMMISSIONERS  
ALFALFA COUNTY COURTHOUSE  
CHEROKEE, OKLAHOMA 73728

Transmitted herewith is the Alfalfa County Treasurer Statutory Report for April 28, 2017. 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,

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.

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

May 16, 2017

## SCHEDULE OF FINDINGS AND RESPONSES

### **Finding 2017-01 - Inadequate Internal Controls and Noncompliance over the County Treasurer's Office**

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

- One employee reconciles the bank accounts, prepares the general ledger, prepares the monthly apportionment, and prepares the monthly report.
- One of the three cash drawers in the office contained \$4.60 more upon inspection than was recorded.
- Resale Property Fund Financial Statement was not completed and filed with the Board of County Commissioners on or before June 30, 2016.

**Cause of Condition:** Policies and procedures have not been designed to ensure adequate internal controls and compliance with state statute.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. OSAI also recommends following state statute in regard to the Resale Property Fund Financial Statement.

### **Management Response:**

#### **County Treasurer:**

- I have been working towards assigning more duties to deputies as I feel they are ready.
- We have established a procedure of counting our own drawer and having another person in the office count and double check for accuracy. Date and initials of both persons should be on adding tape and in cash box at all times.
- I have failed to prepare the Resale Property Fund report. It being one of the once a year things, it was forgotten the last couple of years. I will make sure it is done from this time forward.

**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 authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated.

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Title 68 O.S. § 3137 (E) states in part, “On or before the 30th of June of each year the county treasurer shall file a financial statement of the resale property fund with the county clerk for the approval of the board of county commissioners, setting forth the necessary reserves for expenditures either made or anticipated...”

**Finding 2017-02 – Inadequate Internal Controls Over Bank Account Reconciliations and the Official Depository Ledger**

**Condition:** The County Treasurer’s office continues to reconcile the bank accounts with unsubstantiated reconciling items. Supporting documentation could not be provided for all reconciling items on the April 28, 2017 bank statement reconciliations. As a result, the following variances remained unresolved:

- Reconciling items totaling \$330.40 could not be supported on the bank statement reconciliation for the Official Depository Account.
- A reconciling item of \$2.89 could not be supported on the bank statement reconciliation for the General Fund MMDA account. This item has been outstanding since July of 2015.
- The Official Depository Ledger had an unexplained variance ledger balance of \$79.00 less than the Official Depository balance on the general ledger.
- One of the County Clerk’s Accounts on the Official Depository Ledger had a negative balance in the amount of \$1,032.25.
- The actual amount of cash combined in the County offices was \$100 more than what was listed on the general ledger.

**Cause of Condition:** Policies and procedures have not been designed to ensure all accounts are reconciled, approved, and the amounts recorded on the bank accounts and ledger account balances are complete and accurate. Further, policies and procedures have not been designed to ensure reconciling items are resolved in a timely manner.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that the County design procedures to ensure that all activity on all bank statements and the general ledger is complete and accurate. We recommend that all accounts be reconciled on a monthly basis and in a timely manner. Furthermore, the review and approval of the reconciliation should be evidenced of initials and dates.

**Management Response:**  
**County Treasurer:**

- We have been working on correcting the \$330.40 by reconciling. \$317.00 of it was an Electronic Transfer (ETR) that had been registered on our system as a cash deposit and not an ETR. We have corrected this amount. It leaves us a variance of \$26.64 which we are still searching for.

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- The \$2.89 difference was actually in the Mechanics Lien Account. It is an interest amount that was never entered on our system so when the account was closed it left a negative balance. I will make a journal entry this month to reflect the interest earned which will leave the bank account with a \$0.00 balance.
- I am aware of the \$79.00 difference. It is in fact marked on our system ledger where it occurred. In the search for this problem, one day it matched and the next day it does not. All depository and voucher information appears to be accurate for the day and we have been able to explain the issue. It was an issue on our old system. We will go back and revisit the problem and if everything still appears to be accurate we will visit with our vendor for their assistance in correcting the problem.
- The negative balance is on the regular depository ledger and not their ETR. When checking out at the end of the month and they add their cash/check depository account and their ETR account balance to come up with the total amount of money collected for the month. The ETR money is not moved to cash/check depository account until all ETR money has been deposited in the bank to move. It is moved in our system by journal entry at the same time is moved in the bank.
- The general ledger has been corrected to show the correct amount of cash held in the combined offices.

**Criteria:** Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy and completeness. To help ensure a proper accounting of funds, all bank accounts should have a bank statement reconciliation performed on a monthly basis and approved by someone other than the preparer and included an indication of review. Additionally, the Official Depository Ledger should be reconciled to the Official Depository Account on the general ledger.



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