

STATUTORY REPORT

ALFALFA COUNTY TREASURER

November 8, 2013



*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
NOVEMBER 8, 2013**

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Oklahoma State Auditor & Inspector

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November 26, 2013

BOARD OF COUNTY COMMISSIONERS
ALFALFA COUNTY COURTHOUSE
CHEROKEE, OKLAHOMA 73728

Transmitted herewith is the Alfalfa County Treasurer Statutory Report for November 8, 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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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 that reads "Gary A. Jones".

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

November 14, 2013

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-1— Inadequate Segregation of Duties and Internal Controls Over the Treasurer’s Office

Condition: The County Treasurer’s office has two full-time deputies. Both deputies and the Treasurer issue receipts. One 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: Policies and procedures have not been implemented to adequately train and segregate the duties of inexperienced staff in the office.

Effect of Condition: 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 the 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 positions. 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. 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. Furthermore, each employee should have a separate cash drawer to properly provide for adequate internal controls over collections.

**VALERIE VETTER, COUNTY TREASURER
ALFALFA COUNTY, OKLAHOMA
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Finding 2014-2— Inadequate Internal Controls Over Bank Account Reconciliations

Condition: Based on discussions with the County Treasurer and observation of bank records and accounting records, we determined that the following weaknesses exist:

- The Miscellaneous Receipt Account is a money market account in which the bank limits the Treasurer to three transactions each month. Due to this limitation, all funds are not transferred out of the account each month to be apportioned to the various funds. On the date of the Treasurer Review, we noted in reconciling the bank to the general ledger a transfer check was written by the Treasurer for County Clerk credit card deposits and electronic bank credits received over a period of several months in the amount \$180.00.
- The Official Depository Account could not be reconciled to the bank statement at November 8, 2013. A variance of \$17.15 could not be identified. The bank account reflected more on hand than the general ledger. Detailed records of credit card deposits being received and deposited for each officer and the corresponding documentation of funds deposited by the credit card companies were not maintained by the Treasurer to ensure that all funds are properly accounted for in each officer's depository account; thus, making it difficult to determine the identity of the variance. We also noted that the Official Depository Account was not reconciled to the bank account for the months ended September and October, 2013.

Cause of Condition: Policies and procedures have not been implemented to maintain source documentation of credit card activity.

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

Recommendation: OSAI recommends the Treasurer review the alternatives for an account that would not limit the transactions to three each month. In addition, all documentation of deposits should be maintained to ensure all county funds are being received and accounted for properly.

Management Response: The Treasurer is now aware that documentation of all activity should be maintained and that bank account statements should be reconciled at month end to the general ledger.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, source documentation of financial activity should be maintained and reconciled to the bank statement activity on a monthly basis.



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