

STATUTORY REPORT

CANADIAN COUNTY TREASURER

May 12, 2014



*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

**CAROLYN LECK, COUNTY TREASURER
CANADIAN COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
MAY 12, 2014**

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Oklahoma State Auditor & Inspector

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June 30, 2014

BOARD OF COUNTY COMMISSIONERS
CANADIAN COUNTY COURTHOUSE
EL RENO, OKLAHOMA 73036

Transmitted herewith is the Canadian County Treasurer Statutory Report for May 12, 2014. 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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Carolyn Leck, Canadian County Treasurer
Canadian County Courthouse
El Reno, Oklahoma 73036

Dear Carolyn Leck:

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 Canadian 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

May 15, 2014

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-1—Inadequate Segregation of Duties Over Treasurer Change Drawer

Condition: The County Treasurer's office has two deputies that operate from one cash drawer. While it was noted that one deputy is a back-up cashier and uses the cash drawer when the other deputy (the head cashier) is at break or on leave, two or more people operating from one cash drawer remains an inadequate internal control over segregation of the receiving of funds.

Cause of Condition: Procedures with regard to segregating the duties over the change drawer within the office of the County Treasurer have not been designed and implemented.

Effect of Condition: There is an inadequate segregation of duties within the processing of funds received. These conditions could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of this condition and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures 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. Compensating procedures would include separating cash drawers for each deputy that collects funds and having management review and approval of accounting functions.

Management Response:

County Treasurer: This has been a point of concern for many years. While I fully understand the auditing point of view, I am still trying to develop a procedure that would make this as secure and acceptable as possible.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2014-2—Inadequate Internal Controls Over Bank Accounts Not Recorded on the General Ledger

Condition: Upon determining that all bank accounts and investments were included on the general ledger, we determined the following:

- The Payroll Official Depository Account and the School Payroll Account held at the Bank of Oklahoma were not included on the County Treasurer's general ledger. These bank accounts are demand bank accounts that are identified with the County's tax identification number.

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- The Payroll Official Depository Account had a balance of \$179,139.24 and the School Payroll Account had a balance of \$21,609.76.
- The School Payroll Account had not been reconciled to the bank statement, due to the bank statement being shredded each month.
- Additionally, these two bank account balances were not included in the monitoring for adequate pledged securities.

Cause of Condition: Procedures have not been designed and implemented to ensure all accounts are reconciled, monitored, approved, and recorded on the general ledger.

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

Recommendation: OSAI recommends all accounts be reconciled on a monthly basis and in a timely manner and that the Treasurer ensures that all bank reconciliations reflect an indication of review that they are approved by someone other than the preparer. Accounts or investments recorded under the County's tax identification number should be included on the general ledger. Further, all accounts under the purview of the County Treasurer should be monitored for adequate pledged securities.

Management Response:

County Treasurer: The program for the Official Depository Payroll Account is designed as a pass-through account as far as how it is displayed on the general ledger. It is reconciled several times throughout the month when we receive the bank statements. We keep notebooks of all records backing up the balancing.

The School Payroll Account was set up in October, 2010 as a pass-through account only. Deposits are made twice monthly and the Teachers' Retirement System captures the payments through EFT. I have set up a line on the bank side of the general ledger and we will make a journal entry when the School Clerk makes deposits. We will not give the School Clerk the bank statements.

Auditor Response: Two bank accounts identified by the County's tax identification number were not recorded on the Treasurer's general ledger nor were the accounts monitored to ensure deposits were adequately secured.

Criteria: To help ensure a proper accounting of funds, all bank accounts and investments identified with the County's tax identification number should be included on the general ledger. Bank reconciliations should be performed on a monthly basis, and approved by someone other than the preparer and include an indication of review. Further evidence of all funds being monitored for adequate pledged securities should be documented to ensure adequate safeguarding of assets.

Finding 2014-3—Inadequate Internal Controls Over Accounting for Investments

Condition: The County Treasurer’s office does not maintain an investment ledger to account for investments held by the County for county funds, schools, and other entities.

- At the date of our review, the County Treasurer was the custodian of forty-four investments that included certificates of deposit and saving accounts deposited into four different financial institutions. These investments represent 45.88% of the total general ledger balance or \$16,002,406.11 of the total balance of \$33,410,338.62.

Cause of Condition: Procedures with regard to accounting for investments held by the County and other entities by the County Treasurer have not been designed and implemented.

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 design and implement an investment ledger that accounts for each investment by amount invested, investment date, maturity date, financial institution, and fund to safeguard assets appropriately.

Management Response:

County Treasurer: While we do keep folders with ledgers on each investment type, we are working on an investment ledger showing maturity, interest received, and rates allowing for more complete overview of all investments in one format.

Criteria: Effective internal controls require that investments be accounted for by fund, financial institution, investment date, maturity date, and amount invested to ensure adequate safeguarding of assets.



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