CHEROKEE COUNTY TREASURER

MAY 4, 2010

STATUTORY REPORT

Oklahoma State Auditor
& Inspector

INEZ PEACE, COUNTY TREASURER
CHEROKEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
MAY 4, 2010

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STATE AUDITOR AND INSPECTOR

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July 21, 2010

BOARD OF COUNTY COMMISSIONERS
CHEROKEE COUNTY COURTHOUSE
CHEROKEE, OKLAHOMA 74464

Transmitted herewith is the Cherokee County Treasurer Statutory Report for May 4, 2010. The engagement was conducted in accordance with 74 O.S. § 212.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

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STATE AUDITOR & INSPECTOR

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Inez Peace, County Treasurer
Cherokee County Courthouse
Cherokee, Oklahoma 74464

Dear Ms. Peace:

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for May 4, 2010:

- Review bank reconciliations, visually verify certificates of deposit, and confirm investments.
- Determine whether subsidiary records reconcile to the general ledger.
- Review pledged collateral securing deposits and invested funds.

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 general-purpose financial statements of Cherokee County.

Based on the above reconciliations, visual verification, and confirmation procedures performed, the cash and investments of the County are supported by accounting and bank records and are adequately secured to prevent loss in the event of a bank failure. However, we noted a lack of segregation of duties and, in performing the procedures, we noted that the official depository was not being held in an interest bearing account. Our findings are presented in the accompanying schedule of findings and responses.

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.

Sincerely,

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

July 14, 2010

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2010-1 – Segregation of Duties

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.

Condition: A lack of segregation of duties exists in the Treasurer's Office because one employee receives funds, balances the cash drawer, posts payments to accounts, approves purchases and claims for payment, writes and signs vouchers, and distributes vouchers.

Effect: By having a single person who has the opportunity to perform more than one area of recording, authorizing, custody of assets, and execution of transactions could result in not timely detecting 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 approval of accounting functions.

Views of responsible officials and planned corrective actions: We only have a total of six employees. To accommodate the needs of the public with a limited number of employees, they are required to perform multiple tasks. To explain our duties and accountability, four of these employees work in the tax collection department of the office and two are in bookkeeping. Each of the four in the tax collections has a cash drawer, and at the end of the day, the drawer is balanced and the collections and balance sheet are placed in a moneybag. The bookkeeping department employees balance all of the amounts from the four cash drawers with the bank statements, register warrants and vouchers, etc. The employees writing the voucher do not register them. The bookkeeping employees do help collect taxes during the tax season, but only take checks– "no cash."

OSAI Response: Adequate controls should be in place during tax season, which maintain the segregation of duties in regards to the funds the bookkeeping employees are collecting.

Finding 2010-2 – Interest Bearing Account

Criteria: Title 19 O.S. § 682 states in part:

> All monies when so received by the county treasurer, as such official depository, shall be deposited in interest bearing accounts in financial institutions designated and qualified as county depositories as now provided by law and shall draw interest, subject to deduction of financial institution charges for maintaining, processing and collateralizing the account, which interest shall be paid monthly.

Condition: The Official Depository account was found to be placed in a non-interest bearing account at First State Bank in order to participate in the Transaction Account Guarantee Program, along with the County General and Fire Department Funds.

Effect: The County does not earn interest on its largest single account and is in violation of 19 O.S. § 682.

Recommendation: OSAI recommends the County place available funds into interest-bearing accounts.

Views of responsible officials and planned corrective actions: We are working with our bank to see if they can pay anything on our checking accounts. When interest became so low, it was difficult to make any interest on checking accounts. Keeping our monies insured was a main concern; therefore, the use of the guarantee program without earning any interest was an option with our bank.

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