

**CHOCTAW
COUNTY
TREASURER**

MAY 29, 2009



**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**ARLENE MINCHEY, COUNTY TREASURER
CHOCTAW COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
MAY 29, 2009**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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August 12, 2009

BOARD OF COUNTY COMMISSIONERS
CHOCTAW COUNTY COURTHOUSE
HUGO, OKLAHOMA 74743-4075

Transmitted herewith is the Choctaw County Treasurer Statutory Report for May 29, 2009. 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,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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Arlene Minchey, County Treasurer
Choctaw County Courthouse
Hugo, Oklahoma 74743-4075

Dear Ms. Minchey:

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for May 29, 2009:

- 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 Choctaw County.

Based on the above subsidiary record reconciliations, visual verification, and confirmation procedures performed, the cash and investments of the County are supported by accounting records. With respect to the matter of bank reconciliations, pledged collateral, and segregation of duties, 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,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

June 25, 2009

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2009-1 – Segregation of Duties

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

Condition: Based on inquiries of personnel and testwork performed, it was noted that receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization within the office were not properly segregated to assure adequate internal control structure.

Effect: This condition 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 knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations. We have started cross-training employees in the office to do apportionments, reconcile the bank statements, and other duties.

Finding 2009-2 – Bank Reconciliation (Repeat Finding)

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. The failure to perform tasks that are part of internal control, such as timely prepared reconciliations, is a deficiency in internal control. Further, bank reconciliations should be performed on a monthly basis.

Condition: The County Treasurer's office is not properly reconciling bank account balances to the general ledger. Unknown errors, \$18.78 for the general fund account and \$277.50 for the official depository account, are included in the reconciliation of the bank statement to the general ledger.

Effect: This condition could result in the County Treasurer's office having inaccurate financial records, incomplete information, undetected errors, or misappropriation of funds.

Recommendation: We recommend that the County Treasurer perform timely reconciliations of bank statements and ensure all reconciling items are accurate and reasonable.

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Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We have now identified the unidentified variances on the general bank account and the depository bank account variances to a consistent amount for the past five months.

Finding 2009-3 – Pledged Collateral

Criteria: Title 62 O.S. § 517.4.A. states, "A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured."

Condition: The County's bank account balances and investments were underpledged in the amount of \$529,322.43 as of May 29, 2009.

Effect: This condition could result in the loss of county funds.

Recommendation: OSAI recommends management periodically compare the amount of pledged collateral to ensure amounts are adequate and all deposits are secured.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We are taking measures to comply with the state statutes regarding pledged securities. The bank increased one pledge from \$500,000 to \$1,000,000 on June 18, 2009. In addition, they will begin sending me a monthly report of pledges.



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