

STATUTORY REPORT

CUSTER COUNTY TREASURER

August 17, 2012



*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

**JANET ROULET, COUNTY TREASURER
CUSTER COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
AUGUST 17, 2012**

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Oklahoma State Auditor & Inspector

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September 19, 2012

BOARD OF COUNTY COMMISSIONERS
CUSTER COUNTY COURTHOUSE
ARAPAHO, OKLAHOMA 73620

Transmitted herewith is the Custer County Treasurer Statutory Report for August 17, 2012. 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

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

Janet Roulet, Custer County Treasurer
Custer County Courthouse
Arapaho, Oklahoma 73620

Dear Ms. Roulet:

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 Custer 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

August 21, 2012

**JANET ROULET, COUNTY TREASURER
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-1—Unidentified Variance in Reconciliation of the Official Depository Account to the Bank Account

Condition: An unidentified variance of \$7.00 was noted in the reconciliation of the Official Depository Account to the Official Depository Bank Account as of August 17, 2012.

Cause of Condition: The County Treasurer's records reflect additions to the Official Depository Account on the general ledger, prior to the funds actually being received. This condition is caused by posting credit card payments to the general ledger before the bank posts the collections.

Effect of Condition: The Official Depository Account does not reconcile to the bank balance as of August 17, 2012.

Recommendation: OSAI recommends management take steps to ensure the Official Depository Bank Account reconciles to the Official Depository General Ledger Account.

Management Response: In an effort to gain more knowledge and control of the EFTs being deposited versus the EFTs being entered into the General Ledger, and after contacting the bank, I am receiving an encrypted Remittance Advice Detail Summary on a daily basis. We are also breaking out each office's individual EFTs being recorded instead of an office daily total amount to tie back to. At reconciliation, we will have more than just a daily amount to look for, we will have each individual office's transactions broken out to identify to. We began this process September 4, 2012. If this does not help with the reconciliation of the Official Depository, I plan to look at another option.

Criteria: To help ensure a proper accounting of funds, bank reconciliations should be performed on all accounts and the general ledger should accurately reflect the accounts of the County.

Finding 2013-2—Inadequate Controls over the Operations of the County Treasurer's Office

Condition: Upon inquiry and observation of the accounting processes within the County Treasurer's office, we noted the following inadequacies in control procedures:

- The duties of issuing receipts, posting receipts, preparing the deposit, and reconciling accounting records were not formally segregated among the three employees and County Treasurer.
- Although there are four individuals receiving collections, the County Treasurer's office uses two cash drawers.
- With the exception of one employee, the Treasurer's office was unable to provide assistance with respect to the reconciling process of county bank accounts and funds.
- There was no evidence that monthly reports are monitored and reviewed for accuracy.

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- There was no evidence that bank reconciliations are reviewed by someone other than the preparer.

Cause of Condition: The County Treasurer has not designed and implemented a system of controls that would mitigate the risks involved with inadequate segregation of duties. The Treasurer and the employees have not gained an adequate understanding of the office operations to effectively perform the duties.

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

Recommendation: OSAI recommends the County Treasurer implement procedures to mitigate the risks of inadequate segregation of duties. In most cases, the persons receiving and receipting funds should not be the individual making the deposit, balancing the cash drawer, and reconciling the accounting records.

Each employee receiving funds should maintain a separate cash drawer. With respect to adequate knowledge of the operations, OSAI recommends the County Treasurer and employees attend workshops, seek advice of county officials, and monitor the output of data to determine its accuracy. With regard to computer systems, we recommend the County Treasurer seek advice from the software vendor with regard to the operation of the system.

Management Response: The office maintains two cash drawers with three deputies receiving collections. The deputies do not process actual cash at their individual workstations. All cash is handled at the counter with the two cash drawers. The work volume does not justify having more drawers with assessable cash in the office. Actually, May – November, only one cash drawer is used. The drawer is balanced at noon and counted at 4:00 p.m., each time by a different deputy.

The Treasurer's office is somewhat inexperienced with county government. In past years, there have been 3 to 4 full-time deputies, 1 part-time deputy, as well as the Treasurer working in the office. In latter 2011, all of the deputies, with the exception of the First Deputy, resigned when my predecessor retired. We now have the Treasurer and 3 full-time deputies. One deputy began in December 2011 and the other in March, 2012. The two deputies, as well as the Treasurer, have been and are enrolled in several classes offered by Oklahoma State University Program, as they are offered in this area. This being the situation, I understand that the office may appear to be unstructured. I felt it necessary for both new deputies, as well as myself to learn the realm of the office, before actually implementing segregated duties. Each deputy is responsible for generating various monthly reports. Each report goes to the appropriate office, and to the First Deputy as well as the Treasurer. Investments, motor/farm stamp reports, and State Auditor report are all generated and double checked by another deputy. Office duties are somewhat segregated among the deputies now. Daily deposits, vouchers, motor/farm implement balancing, and paid warrants are alternated between the deputies. A former deputy, now retired will be starting in the office this week on a part-time basis. I am hoping that she will bring her expertise to the office as well as help out during the upcoming tax season.

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Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receipting, reconciling the cash drawer, preparing and making deposits, and reconciling account balances should be segregated. A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.



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