



HASKELL COUNTY TREASURER

Statutory Report

October 31, 2023

Cindy Byrd, CPA
State Auditor & Inspector

**HOLLY HINTON, COUNTY TREASURER
HASKELL COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
OCTOBER 31, 2023**

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February 20, 2024

BOARD OF COUNTY COMMISSIONERS
HASKELL COUNTY COURTHOUSE
STIGLER, OKLAHOMA 74462

Transmitted herewith is the Haskell County Treasurer Statutory Report for October 31, 2023. 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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



Holly Hinton, Haskell County Treasurer
Haskell County Courthouse
Stigler, Oklahoma 74462

Dear Ms. Hinton:

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 Haskell 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.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 4, 2024

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2024-001 - Lack of Internal Controls Over the County Treasurer's Collection and Reconciliation Processes

Condition: The County Treasurer does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

Receipting Process:

- A mail log is not being performed or maintained.
- All employees work from the same cash drawer.
- Bank deposit receipts are not reviewed by someone other than the person making the deposit.

Reconciliation Process:

- Bank reconciliations are not signed by the preparer or the reviewer.
- There is no evidence of review of bank deposits by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and reconciliation processes within the office of the County Treasurer.

Effect of Condition: 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, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that procedures be designed and implemented to separate key functions of the receipting and reconciliation processes. If a segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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.

Management Response:

County Treasurer: I took office in July 2023 and will implement internal controls to ensure deposits are reviewed and approved by someone other than the preparer. I established a mail log after it was brought to my attention there was not one currently in place. I am working towards establishing cash drawers for each employee, so they will not be working from the same cash drawer. Previously we were not signing or initialing each other's deposits, but we have since implemented this process. I will ensure the bank reconciliations are reviewed and approved by someone other than the preparer.

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Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2024-002 - Lack of Internal Controls Over Bank Reconciliations

Condition: Upon inquiry, review of reconciling items, and re-performing the bank reconciliation over the Official Depository bank account for the month of October 2023, we noted a \$250 reconciling item that was not properly identified on the bank reconciliation as detailed below:

- A reconciling item accounted for as a deposit in transit in the amount of \$250 was identified as an electronic funds transaction deposit not recorded on the general ledger. However, upon further

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investigation this was not a deposit in transit, this was actually a voucher in the amount of \$300 that had been erroneously marked paid on the general ledger.

- A voucher in the amount of \$50 that cleared the bank in June 2023, was never marked paid on the general ledger. This amount was not identified on the bank reconciliation rather, it was accounted for as a deposit in transit reconciling item.

The County Treasurer revised the reconciliation once this was brought to her attention by OSAI, however, rather than listing the two items separately and properly identifying them, amounts were accounted for in the outstanding voucher total.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure reconciling items are properly identified, as well as the accuracy of bank reconciliations.

Effect of Condition: These conditions resulted in inaccurate reconciling items identified which could result in unrecorded transactions, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the County Treasurer design and implement policies and procedures to ensure all reconciling items are properly researched and identified on bank reconciliations.

Management Response:

County Treasurer: I took office in July 2023 and have implemented procedures to ensure the reconciling items between the bank statement and general ledger are properly researched and identified on the bank reconciliations.

Criteria: The GAO Standards – Principle 10 – Design Control Activities: 10.03 states in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Finding 2024-003 - Lack of Internal Control and Noncompliance Over the Resale Property Fund

Condition: Upon inquiry and observation, the following was noted regarding the Resale Property Fund:

- The Resale Property fund Budget for fiscal year 2023-2024 has not been filed with the County Clerk for the Board of County Commissioners approval.
- The County Treasurer was not aware of Title 68 O.S. § 3106, which requires records to be updated based on real property conveyed after October 1 of each year.

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Cause of Condition: The County Treasurer has not designed and implemented internal controls to ensure compliance with state statutes regarding Resale Property.

Effect of Condition: This condition resulted in noncompliance with state statutes. Further, this condition could result in unrecorded transactions, misstated financial reports, and undetected errors.

Recommendation: OSAI recommends the County Treasurer file a Resale Property fund Budget with the County Clerk by June 30th of each year for the approval of the Board of County Commissioners in accordance with 68 O.S. § 3137(E). In addition, the County Treasurer should familiarize herself with 68 O.S. § 3106(A) pertaining to the Resale Property Fund.

Management Response:

County Treasurer: I took office in July 2023, and I was unaware this was not filed by the previous administration. I will ensure the Resale Property Budget is filed timely with the Board of County Commissioners in the future. I am a new Treasurer with less than six months, and I am currently learning all of the statutes and I will ensure records are update according to state statute.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 68 O.S. § 3137(E) states in part, “On or before the 30th of June of each year the county treasurer shall file a financial statement of the resale property fund with the county clerk for the approval of the board of county commissioners, setting forth the necessary reserves for expenditures either made or anticipated...”

Title 68 O.S. § 3106(A) states in part, “...Such notice shall contain a notification that all lands on which the taxes are delinquent and remain due and unpaid will be sold in accordance with Section 3105 of this title, a list of lands to be sold, the name or names of the last record owner or owners as of the preceding December 31 or later as reflected by the records in the office of the county assessor, which records shall be updated based on real property conveyed after October 1 each year and the amount of taxes due and delinquent.”

Finding 2024-004 - Lack of Internal Controls Over General Ledger

Condition: Upon inquiry and review of confirmations sent to financial institutions for the County’s investments, we noted a variance of \$43,000 between the investment balance at the financial institution and the general ledger. This resulted in the County’s general ledger being misstated due to the interest earned on the investment not being updated.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure investment balances are accurately presented on the general ledger.

Effect of Condition: This condition resulted in unrecorded transactions, misstated financial reports, and undetected errors.

Recommendation: OSAI recommends policies and procedures be designed and implemented to ensure the County's general ledger is updated to properly reflect the balance at the financial institution.

Management Response:

County Treasurer: I took office in July 2023 I did not have any information over this account and the statement was mailed to the County Clerk's office. I have updated the general ledger and have requested all the statement information from the County Clerk's office be provided to me.

Criteria: The GAO Standards – Principle 10 – Design Control Activities: 10.03 states in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Finding 2024-005 – Noncompliance Over Contracts and Resale Property Fund Disbursements

Condition: Upon inquiry and observation of the Resale Property fund, the County Treasurer entered into a contract to hire a contract laborer for training, balancing, software support, daily duties, and apportionments. This contract was not approved by the Board of County Commissioners in an open meeting as required by state statute.

Further, there was no documentation available to determine that these expenditures were for the sole purpose of the collection of delinquent property taxes as required by state statute.

Cause of Condition: The County Treasurer has not designed and implemented internal controls to ensure contracts and Resale Property fund disbursements are in compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Further, these conditions could result in unauthorized transactions, misstated financial reports, and improper payments.

Recommendation: OSAI recommends the County Treasurer design and implement a system of internal controls over the Resale Property fund to ensure all contracts are approved by the Board of County Commissioners and disbursements from the Resale Property fund are made in accordance with 19 O.S. § 3(C) and 68 O.S. § 3137(B)1.

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Management Response:

County Treasurer: I took office in July 2023 and upon taking office, the previous staff did not return. I was able to bring in help, however, I was unaware all contracts had to be approved by the Board of County Commissioners. In the future, I will ensure all contracts are approved by the BOCC. Regarding Resale Property disbursements, these disbursements were allowable by state statute.

Auditor Response: Without adequate documentation, we were unable to determine if expenditures from the Resale Property fund were for the sole purpose of the collection of delinquent property taxes as required by state statute.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 19 O.S. § 3(C) states, “The powers of a county as a body politic and corporate shall be exercised by its board of county commissioners.

(c) To do or transact any business relating to such county, or any commissioner's district, or districts thereof, or to make any contract or agreement of any kind relating to the business of such county, or any commissioner's district, or districts thereof;”

Title 68 O.S. § 3137(B)1 states in part, “B. The resale property fund herein created for each county is hereby declared to be a continuous fund, not subject to fiscal year limitations, and is hereby dedicated, insofar as may be necessary, to the enforcement of the tax laws of the state, and is authorized to be expended for the following purposes:

1. For the purchase of necessary records, printing, supplies and equipment, and the employment of necessary clerical personnel, either on whole or part-time basis, in connection with delinquent personal tax lists and personal tax warrants, delinquent real estate tax lists and lists of unredeemed delinquent real estate subject to tax sale or resale, such costs to be limited to those incurred by the county treasurer;”

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Cindy Byrd, CPA | State Auditor & Inspector

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