

STATUTORY REPORT

MCCURTAIN COUNTY TREASURER

March 31, 2011



*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

**JoANN STRAWN, COUNTY TREASURER
McCURTAIN COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
MARCH 31, 2011**

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Oklahoma State Auditor & Inspector

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June 20, 2011

BOARD OF COUNTY COMMISSIONERS
McCURTAIN COUNTY COURTHOUSE
IDABEL, OKLAHOMA 74745

Transmitted herewith is the McCurtain County Treasurer Statutory Report for March 31, 2011. 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 "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR



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JoAnn Strawn, County Treasurer
McCurtain County Courthouse
Idabel, Oklahoma 74745

Dear Ms. Strawn:

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for March 31, 2011:

- 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 McCurtain County.

Based on the above bank reconciliations, visual verification, and confirmation procedures performed, the cash and investments of the County are not supported by bank records. With respect to subsidiary ledgers and pledged collateral, investments, and bank reconciliations, 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, appearing to read "Gary A. Jones", is written over a white background.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

May 2, 2011

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2011-1—Subsidiary Ledgers

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as maintaining subsidiary ledgers and reconciling them to the general ledger, are deficiencies in internal control.

Condition: The following exceptions were noted:

- A reconciliation was not performed between the general and investment ledgers.
- Ledgers for schools and municipalities are not being updated in a timely manner.

Effect: This condition could result in incomplete and inaccurate amounts being reported on the general and the subsidiary ledgers.

Recommendation: OSAI recommends that the subsidiary ledgers be maintained and reconciled to the general ledger on a monthly basis.

Views of responsible officials and planned corrective actions: I am working on the school and municipal general ledgers. Also, I had already told the deputy that she was supposed to be reconciling the general ledger and the investment ledger because that has been a part of our problem with CD's all along. She stated she will check her on this from now on.

Finding 2011-2—Pledged Collateral

Criteria: Title 62 O.S. § 511 states:

Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation.

Title 62 O.S. §517.3 states:

All public deposits made by a treasurer of a public entity in financial institutions shall be secured as provided for in the Security for Local Public Deposits Act.

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Condition: The County's bank account balances and investments were underpledged at March 31, 2011 as noted:

- Accounts and Investments held at Edward Jones Investments were underpledged by \$77,497.55.

Effect: Failure to adequately secure asset balances could result in a violation of state statutes.

Recommendation: OSAI recommends the County Treasurer monitor county pledges routinely to ensure that deposits are adequately secured.

Views of responsible officials and planned corrective actions: Edward D. Jones Investments is where the tourism authority wanted their money. They know they are not covered. I have discussed this with their secretary several times but she said the tourism board wanted their money at Edward D. Jones. What else can I do?

Finding 2011-3—General Ledger Understated

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the reconciliation of all the County Treasurer's accounts. These reconciliations would include verifying demand accounts and investment accounts.

Condition: At March 31, 2011, the Treasurer's general ledger was overstated by \$591,062.96. We identified \$575,000.00 resulting from miscellaneous receipts being issued for the principal balance of maturing CD's. The remainder of \$16,062.96 could not be identified.

Effect: This resulted in the Treasurer's general ledger being incorrect and the fund balances being inflated.

Recommendation: OSAI recommends that all County Treasurer's demand and investment accounts be reconciled monthly to bank balances. We also recommend the County Treasurer investigate and correct all overstatements on the general ledger.

Views of responsible officials and planned corrective actions: We have straightened out the CD's and I am trying to figure out where the \$16,062.96 came from.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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