

STATUTORY REPORT

MCCURTAIN COUNTY TREASURER

September 30, 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

**LINDA LASTER, COUNTY TREASURER
McCURTAIN COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
SEPTEMBER 30, 2011**

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Oklahoma State Auditor & Inspector

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May 8, 2012

BOARD OF COUNTY COMMISSIONERS
McCURTAIN COUNTY COURTHOUSE
IDABEL, OKLAHOMA 74745

Transmitted herewith is the McCurtain County Treasurer Statutory Report for September 30, 2011. 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, reading "Gary A. Jones".

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



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Linda Laster, McCurtain County Treasurer
McCurtain County Courthouse
Idabel, Oklahoma 74745

Dear Ms. Laster:

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 McCurtain 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, reading "Gary A. Jones".

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

November 15, 2011

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2012-1—General Ledger Overstated

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 September 30, 2011, the Treasurer's general ledger was overstated by \$16,062.96. This overstatement has been carried on the general ledger for a lengthy time period without correction.

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.

Management Response: This has been corrected.

Finding 2012-2—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.

- Reconciliation was not performed between the general ledger and investment ledgers.
- The investment ledger does not record adequate information related to the investments and banks.
- 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.

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Recommendation: OSAI recommends that the municipal and school subsidiary ledgers be maintained and reconciled to the general ledger on a monthly basis. Further, OSAI recommends the Treasurer reconcile the investment ledger to the general ledger on a monthly basis.

Management Response: I am currently working on this.

Finding 2012-3—Bank Reconciliations

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 County bank accounts to the General Ledger.

Condition: When performing bank reconciliations for McCurtain County, the following findings were noted:

- The City of Smithville bank account reconciliation showed a variance of \$292.53.
- The FHWA bank reconciliation indicated a \$1.79 variance.

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 general bank accounts be reconciled monthly to bank balances. We also recommend the County Treasurer investigate and correct all overstatements/understatements on the general ledger.

Management Response: We have corrected the City of Smithville variance, but the FHWA variance has not been corrected. We have checked a long ways back and cannot find.

Finding 2012-4—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.

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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 Deposit Act.

Condition: The County's bank account balances and investments were underpledged at September 30, 2011, as noted:

- Accounts and investments held at Edward Jones Investments were underpledged by \$23,618.14.

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

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

Management Response: I have talked with them and they have been advised they need to put in a secured account, but they do not want to.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

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