

STATUTORY REPORT

OKFUSKEE COUNTY TREASURER

February 6, 2017



*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

**LORI COPLIN, COUNTY TREASURER
OKFUSKEE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
FEBRUARY 6, 2017**

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Oklahoma State Auditor & Inspector

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April 18, 2017

BOARD OF COUNTY COMMISSIONERS
OKFUSKEE COUNTY COURTHOUSE
OKEMAH, OKLAHOMA 74859

Transmitted herewith is the Okfuskee County Treasurer Statutory Report for February 6, 2017. 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". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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



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Lori Coplin, Okfuskee County Treasurer
Okfuskee County Courthouse
Okemah, Oklahoma 74859

Dear Ms. Coplin:

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 Okfuskee 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 that reads "Gary A. Jones".

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

March 24, 2017

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-1 – Inadequate Internal Controls Over the Treasurer’s Office

Condition: While performing the Treasurer’s Review of February 6, 2017, we noted the following:

- Treasurer’s monthly reports are not being submitted timely to the Oklahoma State Auditor and Inspector’s Office (OSAI). The last monthly report received at the time of the review was June 30, 2015.
- Monthly bank reconciliations are not being performed and have not been reconciled since June 30, 2015.
- Treasurer’s *Officers Monthly Fee Report* is not being reconciled to the general ledger.
- Bank balances are not being monitored monthly to ensure investments and county funds are properly collateralized.
- There are two funds on the general ledger as of January 31, 2017, that have a negative ending balance.

Date	Fund	Amount
January 31, 2017	Office of County Clerk	(\$65.54)
January 31, 2017	Protest Tax 2016	(\$3,107.98)

- The Electronic Federal Tax Payment System (EFTPS) bank account is not listed on the general ledger.
- The general ledger balance obtained from the County Treasurer was changed twice for January 31, 2017 during our review.
- Notification to property owner (certified mail receipt) and mortgage company, could not be located for property sold at the most recent tax resale.

Cause of Condition: The County Treasurer’s office does not have mitigating controls in place to reduce the high risk associated with the lack of adequate internal controls. Further, procedures have not been designed and implemented to ensure that internal controls are established within the County’s financial/bookkeeping software, reconciliations of bank accounts to the general ledger are performed on a monthly basis, monthly reports are submitted to OSAI on a monthly basis, the Officers’ Monthly Fee Reports are reconciled to the general ledger on a monthly basis, ensure all county bank accounts are listed on the general ledger, and copies of certified mail receipts be retained.

In addition, procedures have not been designed and implemented to monitor monthly investments to ensure County funds are properly secured.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

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Recommendation: OSAI recommends the County Treasurer implement mitigating controls regarding the County's financial/bookkeeping software such as maintaining daily totals/reports, all accounts be reconciled to the general ledger in a timely manner, that the Treasurer's office posts to the general ledger on a daily basis, and timely submit the monthly reports to OSAI.

OSAI also recommends the County Treasurer maintain an investment ledger with all necessary information to properly monitor pledged collateral. Further, OSAI recommends proper notification be maintained regarding all Tax Resale documentation.

**Management Response:
County Treasurer:**

1. We are in the process of getting the monthly reports current. This office is currently reconciling the bank statements to the general ledger in a timely fashion and we understand that a current monthly report will reflect that. We have assigned duties to support this and to allow a second person to verify information before it is submitted.
2. We are in the process of implementing procedures to reconcile to the bank monthly. Once the monthly reports are current, it will reflect the timely reconciliations. We have made the changes necessary to reconcile all accounts to the general ledger, to post daily, and to timely submit all reports. The County Treasurer's office has been working to convert to a new software program from books and spreadsheets along with personnel changes.
3. The Officers Monthly Fee Report was being reconciled using the new vendor software, however it was not adequately detailed and the new software does not provide a detail report. This office is now using the SA&I form 140 and submitting it monthly to the Board of County Commissioners.
4. Bank balances were being monitored as prior administration with no finding. I am personally in contact with the bank to ensure that all investments and county funds are properly collateralized each month. County investments and funds have not been under collateralized under this administration. This office has added the FDIC amounts and monthly pledges/collateral amounts to the new software so that it is listed on the general ledger, and is being kept in the pledge binder. Investments are now listed on a spreadsheet and tracked by purchase date, maturity date, and interest rate. These investments are also listed in the new software program.

Auditor Response: OSAI obtained documentation during the prior administration which supported: bank balances being monitored and properly secured. However there was not supporting documentation for the current administration.

5. There were two funds with a negative balance on the general ledger as of January 31, 2017. This was due to an entry/clerical error and was not an accurate representation. The funds were never in the negative. The procedure for making entries was reviewed and these entries are now being

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checked by a second person to ensure that all funds are properly represented on the general ledger at all times.

6. The EFTPS bank account is now listed and tracked on the General Ledger.
7. The general ledger balance was changed to correct these errors that caused two funds to be misrepresented with a negative balance. The software vendor mistakenly created a new fund to track handwritten warrants from the County Clerk's office. We have worked with the new software technicians and now have in place a procedure to account for these types of warrants. Our new procedure and review by a second person will prevent this from reoccurring.
8. This office now requires a "Certificate of Mailing" from the post office when certified letters are handed over for mailing. In addition: extra diligence is being taken to maintain certified mail receipts in a secure location.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy, completeness and post to the general ledger daily.

Further, safeguarding controls are an important 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 reconciling bank statements monthly, and providing accurate and timely submitted monthly reports to OSAI are deficiencies in internal control.

Title 19 O.S. § 684 states, "All monies that shall be received during any calendar month by any county officer, county board, county commission or the members or employees of either thereof, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, - that is, transferred from the official account of the officer, board, commission or employee of either thereof depositing the same, to the fund or funds of the county or municipal subdivision thereof to which the same belongs, - by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies shall have been received; and it shall be the further duty of all such officers, boards, commissions, and the members and employees of either thereof, to make and file with the county clerk on or before the second Monday of each month, a verified report in writing showing the several sources, classes and amounts of money received by virtue or under color of office during the preceding calendar month, together with an itemized statement of the amount and purpose of all vouchers issued in disbursement, distribution and transfer thereof."

Title 62 O.S. § 72.4 states in part, "...The amount of collateral securities or instruments to be pledged for the security of public deposits shall not be less than the amount of the deposit to be secured, less the amount insured by FDIC..."

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Title 68 O.S. § 3127 states in part, "...The county treasurer shall, at least thirty (30) days prior to such resale of real estate, give notice by certified mail, by mailing to the record owner of said real estate, as shown by the records in the county assessor's office, which records shall be updated based on real property conveyed after October 1 each year, and to all mortgagees of record of said real estate a notice stating the time and place of said resale and showing the legal description of the real property to be sold. If the county treasurer does not know and cannot, by the exercise of reasonable diligence, ascertain the address of any mortgagee of record, then the county treasurer shall cause an affidavit to be filed with the county clerk..."



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