

STATUTORY REPORT

# OTTAWA COUNTY TREASURER

March 31, 2015



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**KATHY BOWLING, COUNTY TREASURER  
OTTAWA COUNTY, OKLAHOMA  
TREASURER STATUTORY REPORT  
MARCH 31, 2015**

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# Oklahoma State Auditor & Inspector

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July 16, 2015

BOARD OF COUNTY COMMISSIONERS  
OTTAWA COUNTY COURTHOUSE  
MIAMI, OKLAHOMA 74354

Transmitted herewith is the Ottawa County Treasurer Statutory Report for March 31, 2015. 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, appearing to read "Gary A. Jones".

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



# Oklahoma State Auditor & Inspector

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Kathy Bowling, Ottawa County Treasurer  
Ottawa County Courthouse  
Miami, Oklahoma 74354

Dear Kathy:

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 Ottawa 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.

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

June 16, 2015

**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2015-01 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute**

**Condition:** Based upon inquiry of the County Treasurer’s staff and observation of records, we noted that on March 31, 2015, the County was under-collateralized in the amount of \$707,319.73. The bank balance was \$7,207,319.73 and pledged collateral was \$6,500,000.00.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure bank account balances are adequately secured on a daily basis by the County Treasurer.

**Effect of Condition:** This condition resulted in noncompliance with state statute and unsecured County funds. Further, this condition could result in the possible loss of County funds.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County Treasurer implement a system of internal controls to provide reasonable assurance that County funds are adequately secured in accordance with state statute. Further, OSAI recommends the County Treasurer maintain a ledger of daily bank balances compared to the market value of pledged securities to ensure that County funds are adequately secured.

**Management Response:**

**County Treasurer:** We have procedures in place to monitor and ensure daily bank deposits are adequately secured. I believe this was a one-time occurrence due in part to part of the money being in transit. Also, the bank will only collateralize the money once they receive it. This was corrected April 2, 2015 with additional collateralization of \$1 million dollars. I will ensure the funds for Ottawa County are adequately secured daily.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Title 62 O.S. § 517.4 requires the county deposits with financial institutions be secured with pledged collateral.

**Finding 2015-02 – Segregation of Duties – County Treasurer Official Depository Functions**

**Condition:** A lack of segregation of duties exists in the County Treasurer’s office because one person calculates amounts to be vouchered to other funds, prepares vouchers, and post vouchers to the official depository ledger.

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**Cause of Condition:** Policies and procedures have not been designed and implemented to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

**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, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's oversight of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks 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 approval of accounting functions

**Management Response:**

**County Treasurer:** With our computer system, each employee who receipts money is able to generate a balance report for their cash drawer. After, they have balanced their drawer the money and checks are given to the First Deputy to combine the cash and checks to make the daily deposit with a "big" report showing the combined reports of the three deputies taking tax payments.

**Auditor Response:** The duties regarding the official depository processes have not been adequately segregated.

**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 receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be separated.



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