

**PAYNE
COUNTY
TREASURER**

FEBRUARY 29, 2009

**STATUTORY
REPORT**



Oklahoma State Auditor
& Inspector

**BONITA STADLER, COUNTY TREASURER
PAYNE COUNTY, OKLAHOMA
TREASURER STATUTORY REPORT
FEBRUARY 29, 2009**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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January 25, 2010

BOARD OF COUNTY COMMISSIONERS
PAYNE COUNTY COURTHOUSE
STILLWATER, OKLAHOMA 74074

Transmitted herewith is the Payne County Treasurer Statutory Report for February 29, 2009. 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 "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

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Bonita Stadler, County Treasurer
Payne County Courthouse
Stillwater, Oklahoma 74074

Dear Ms. Stadler:

For the purpose of complying with 74 O.S. § 212, we have performed the following procedures for February 29, 2009:

- 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 Payne County.

Based on the above visual verification and confirmation procedures performed, the cash and investments of the County are supported by bank records and are adequately secured to prevent loss in the event of a bank failure. With respect to reconciliations of the official depository and interest, our findings are included 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 that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

April 14, 2009

**BONITA STADLER, COUNTY TREASURER
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2009-1 – Reconciliations

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the County Treasurer should reconcile bank balances to the general ledger on a monthly basis. Reconciliations should then be reviewed and approved by someone other than the preparer.

Condition: We noted the following:

1. Reconciliations were not performed on the EFTPS Account or the State Tax Account.
2. Reconciliations were not reviewed or approved by someone other than the preparer.
3. Reconciliations were not performed in a timely manner.

Effect: By failing to reconcile accounts in a timely manner and having reconciliations reviewed and approved by someone other than the preparer, the risk of misstatement or misappropriation in those accounts increases. As a result, misstatements or misappropriation of funds may not be detected in a timely manner.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed on a monthly basis and are approved and reviewed by someone other than the preparer.

Views of responsible officials and planned corrective actions: See Treasurer's response at the end of this report.

Finding 2009-2 – Official Depository Account

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, a reconciliation should be performed between the official depository account and the County's general ledger.

Condition: It appears the Treasurer's office is not reconciling the official depository account to the general ledger on a monthly basis. It was noted that the general ledger was changed four times due to errors in balancing.

Effect: By failing to reconcile the official depository to the general ledger, the risk of misstatement or misappropriation increases.

Recommendation: OSAI recommends management take steps to ensure a bank reconciliation is performed for the official depository account on a monthly basis, is reconciled to the general ledger, and that the reconciliation be approved and reviewed by someone other than the preparer.

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Views of responsible officials and planned corrective actions: See Treasurer's response at the end of this report.

Finding 2009-3 – Interest

Criteria: Title 19 O.S. § 642 states in part:

The county treasurer shall keep a cash book, in which he shall enter an account of all money by him received.

Condition: We noted interest accrued from the banks was not recorded on the general ledger in a timely manner.

Effect: This could result in a misstatement of the financial records.

Recommendation: OSAI recommends the County's general ledger accurately reflect investments, including interest earned.

Views of responsible officials and planned corrective actions: See Treasurer's response at the end of this report.

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PAYNE COUNTY TREASURER'S RESPONSE

Thank you for giving me the opportunity to address the audit findings that you enumerated in your letter of August 31, 2009. I was aware of the findings and thought these issues had been resolved with the field auditors currently on board in Payne County. I will give my best shot at explaining these discrepancies and I assure you that each area is being addressed. I believe it is important for you to hear why these circumstances have occurred.

- 1) Reconciliations were not performed on the EFTPS Account or the State Tax Account.
 - (a) EFTPS & State Tax Account – In the 22 years that I have been treasurer, I have never had an auditor tell me that I need some kind of reconciliation “form” on these accounts as they zero out each month. If a balance should remain on the statement at the end of the month, further research would be done to determine why. Now that I know, a reconciliation will be created for these accounts.
- 2) Reconciliations were not previewed or approved by someone other than the preparer.
 - (a) Reconciliations require a considerable amount of time. This month there were 26 pages on just the Official Depository bank statement. Due to limited personnel and the time required, I have not had the reconciliations reviewed and approved by a second person. Please define for me what is expected in the “review and approval” by “someone other than the preparer.” Does this mean that a second person must completely reconcile the statements? Just signing off on the reconciliation would seem to be worthless. Please explain to me what is needed and I will work toward that end.
- 3) Reconciliations were not performed in a timely manner.
 - (a) Again, reconciliations require a considerable amount of time. There are a limited number of personnel, only two main bookkeepers. There are times when the reconciliation must be laid aside to perform other vital, immediate needs. However, in the future we will work toward reconciliations to be no later than the middle of the month for which they are sent.
- 4) Reconciliation of the official depository account to the general ledger on a monthly basis.
 - (a) Reconciliation of the official depository account to the general ledger is being done on a monthly basis. However, a little background on the circumstances in Payne County may be helpful.

Because of the embezzlement in 2004, by the former chief bookkeeper, there were unreconciled items on the ledger. The current bookkeeper, who took over immediately after the arrest, had been with the county only six weeks. Therefore, an auditor and the County’s CPA were on board to help resolve the issues at that time. There were some

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issues that were left unresolved or simply put into the category of unreconciled items at the recommendation of the auditor. Ever since that time we have been dutifully trying to locate the errors, problems, which resulted in these questionable items. It is very time consuming to go back five years looking for a problem in three different systems; however, we have discovered some of the problems and when we do, it becomes necessary to change the figures; thus, this is a part of the reason for the four times of changing the general ledger that were cited in your report.

Currently we are still dealing with three computer systems. Our new system, Tom Martens TM, installed in July of 2007, required new methods, greatly differing from the old and there are occasions when something is put in incorrectly and must be adjusted. However, the learning curve on the new computer system is rapidly increasing and the system produces a very accurate and secure program.

Reconciliation of the official depository account to the general ledger has been and will be done on a monthly basis. Hopefully, in the near future all the "bugs" from the past will be eliminated and allow for a normal operation in this area.

- 5) Interest accrued from the banks was not recorded in the general ledger in a timely manner.
- (a) Again, we are dealing with three computer systems during this current audit. In the older systems (2) and back years, interest was not recorded in the general ledger until the investment was liquidated, although I maintained the investment record of the interest accrued each month. This process was utilized for years with the blessings of the auditors. Our current computer system allows for entry of the interest as it is accrued. However, the current system places interest in the (working capital) account. Then it must be transferred to the investment account at the end of the month or beginning of the new month. When the TM System was first implemented, this particular process was new to the bookkeeper and she didn't realize that the accrued interest must be moved to the investment account.

The CDARS, CD's, Now Accounts, that I maintain, offer a monthly accounting of interest earned. For several years, monthly, I have prepared Excel spreadsheets for each of these investments as well as having always maintained an investment ledger, and this information is given to the chief bookkeeper and she then enters these figures on the general ledger as I explained above.

I hope I have been successful in explaining the circumstances which affect the concerns of our current audit and I assure you my best intentions and procedures will be implemented to correct and satisfy your audit findings.

Thank you for your patience in allowing me to expound on the circumstances.



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