

COUNTY AUDIT

# NOWATA COUNTY

For the fiscal year ended June 30, 2009



*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

**NOWATA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 4, 2012

TO THE CITIZENS OF  
NOWATA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Nowata County, Oklahoma for the fiscal year ended June 30, 2009. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

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

**NOWATA COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution .....	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis .....	vii
County General Fund Analysis .....	viii
County Highway Fund Analysis .....	ix

FINANCIAL SECTION

Report of State Auditor and Inspector .....	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	3
Notes to the Financial Statement.....	4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	8
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds .....	9
Notes to Other Supplementary Information .....	10
Schedule of Expenditures of Federal Awards .....	12
Note to the Schedule of Expenditures of Federal Awards.....	13

**NOWATA COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards*..... 14

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct  
and Material Effect on Each Major Program and Internal Control Over Compliance in  
Accordance With OMB Circular A-133 ..... 16

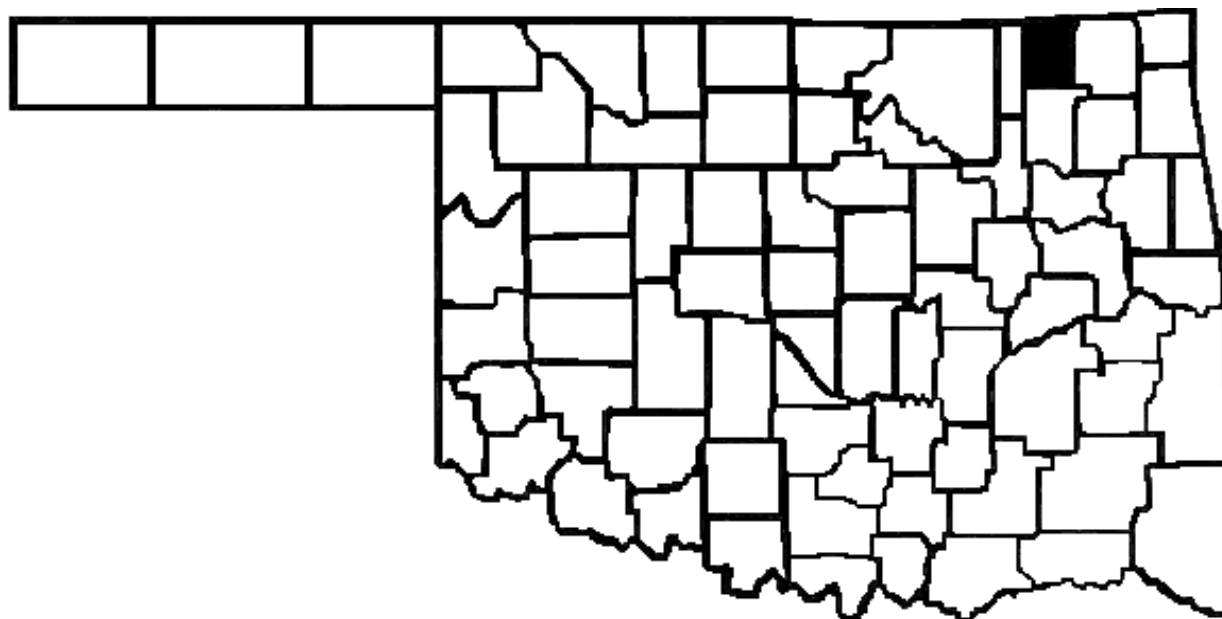
Schedule of Findings and Questioned Costs..... 18

Schedule of Prior Year Findings and Questioned Costs ..... 32

**INTRODUCTORY SECTION  
UNAUDITED INFORMATION ON PAGES iii -ix  
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**NOWATA COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Stories abound as to the origin of the name Nowata. One opinion is that two railroad surveyors took the suggestion of Roberta Campbell Lawson, an educated Delaware Indian woman, “Noweta” meaning “welcome.” Others say a Georgian exploring the area found no water at some springs and posted a sign “No Wata” to warn other travelers. Created at statehood, Nowata County took its name from the county seat of Nowata.

In 1904, when oil and gas were discovered, Nowata County became known as the world’s largest shallow oil field, and some are still producing. Today, the County is principally ranching.

The Nowata County Courthouse is a historic site and the Verdigris River and Oologah Lake Double Creek Cove provide recreational and fishing opportunities.

For additional information, call the County Clerk’s office at 918-273-2480 or the Nowata Area Chamber of Commerce at 918-273-2301.

County Seat – Nowata

Area – 580.87 Square Miles

County Population – 10,723  
(2007 est.)

Farms – 912

Land in Farms – 354,636 Acres

Primary Source: Oklahoma Almanac 2009-2010

**NOWATA COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Board of County Commissioners**

District 1 – Charles L. Parker  
District 2 – J. Dean Bridges  
District 3 – Tim Kilpatrick

**County Assessor**

Carey Pearsall

**County Clerk**

Teresa Jackson

**County Sheriff**

James Hallett

**County Treasurer**

Bonnie Workman

**Court Clerk**

Beverly McKee

**District Attorney**

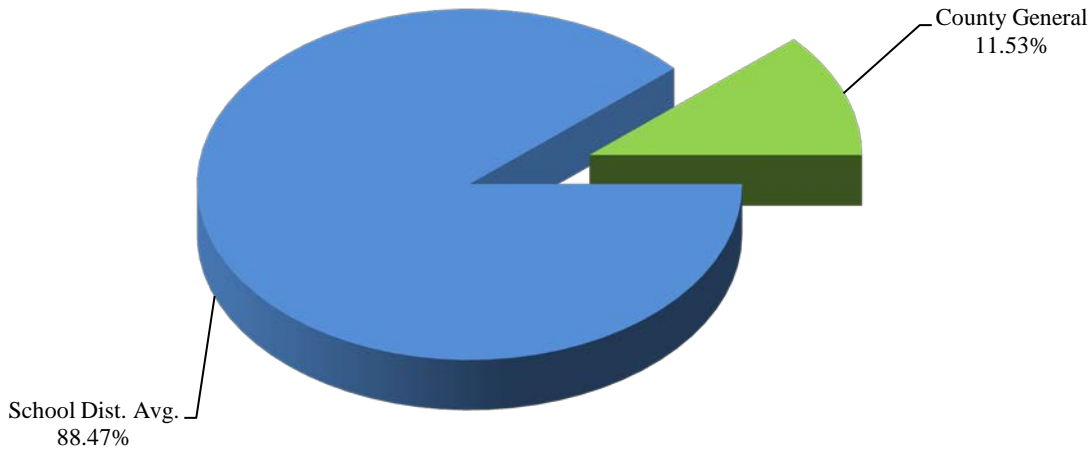
Fredrick Esser



**NOWATA COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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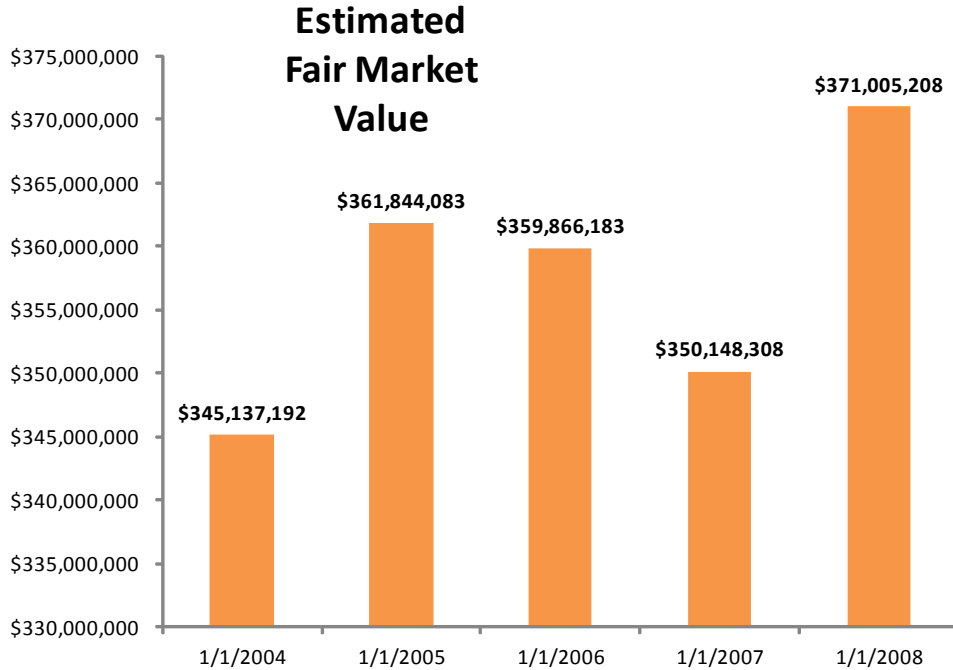
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages						
County General	10.49	Gen.	Bldg.	Skg.	Career Tech	Common	Total	
Nowata	I-40	36.61	5.23	29.20	15.74	4.20	90.98	
Oklahoma Union	I-3	36.89	5.27	19.43	15.74	4.20	81.53	
South Coffeyville	I-51	36.89	5.27	13.82	15.74	4.20	75.92	
Copan	JT	37.98	5.43	15.62	15.74	4.20	78.97	
Chelsea	JT	36.44	5.21	17.88	11.45	4.20	75.18	

**NOWATA COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

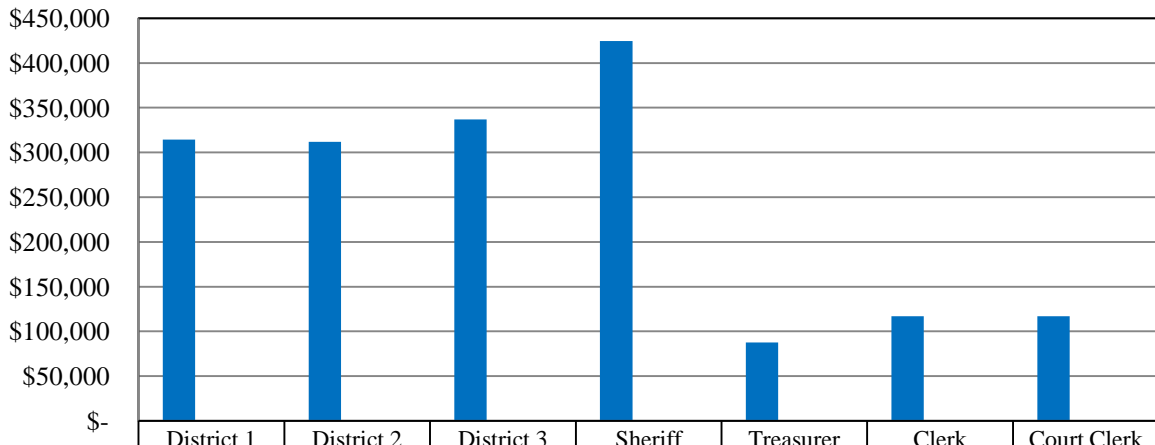
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$6,187,713	\$10,012,350	\$31,501,442	\$3,180,880	\$44,520,625	\$371,005,208
1/1/2007	\$6,364,988	\$8,544,818	\$30,328,482	\$3,220,491	\$42,017,797	\$350,148,308
1/1/2006	\$8,176,969	\$8,860,026	\$29,371,406	\$3,224,459	\$43,183,942	\$359,866,183
1/1/2005	\$8,795,087	\$8,956,753	\$28,692,029	\$3,022,579	\$43,421,290	\$361,844,083
1/1/2004	\$8,309,781	\$8,357,659	\$27,775,769	\$3,026,746	\$41,416,463	\$345,137,192



**NOWATA COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

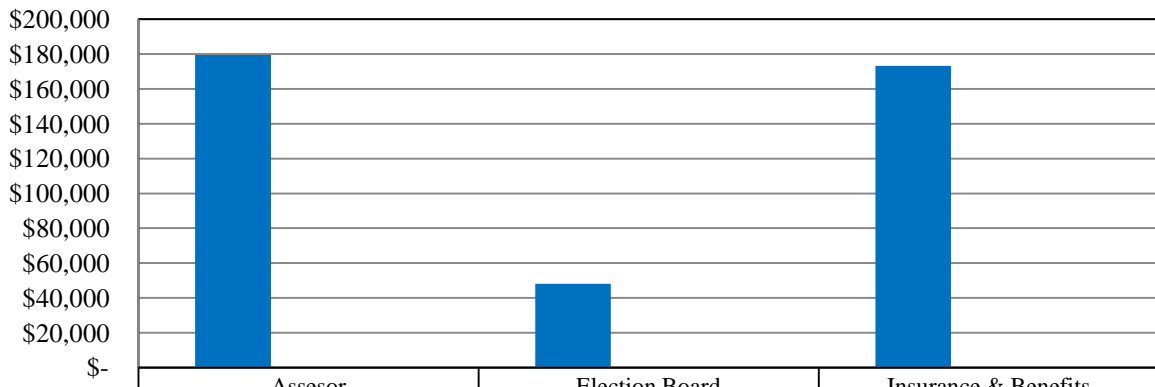
County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2009.

**Payroll Expenditures by Department**



	District 1	District 2	District 3	Sheriff	Treasurer	Clerk	Court Clerk
Payroll Dollars	\$314,325	\$311,829	\$336,994	\$424,598	\$87,498	\$117,058	\$117,050
No. of Employees	12	19	9	30	3	4	5
No. of Part Time Employees	3	2	2	4	0	1	0

**Payroll Expenditures by Department**



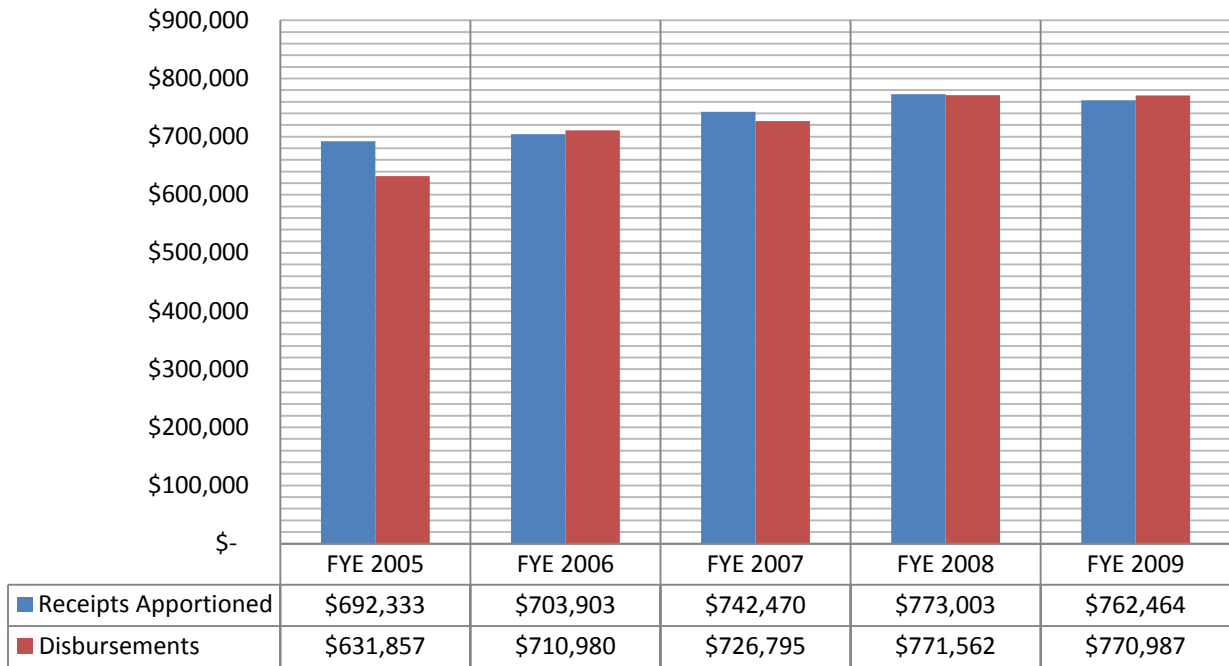
	Assesor	Election Board	Insurance & Benefits
Payroll Dollars	\$179,498	\$48,198	\$173,103
No. of Employees	5	3	All County Employees
No. of Part Time Employees	0	0	0

**NOWATA COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the County's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the County's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

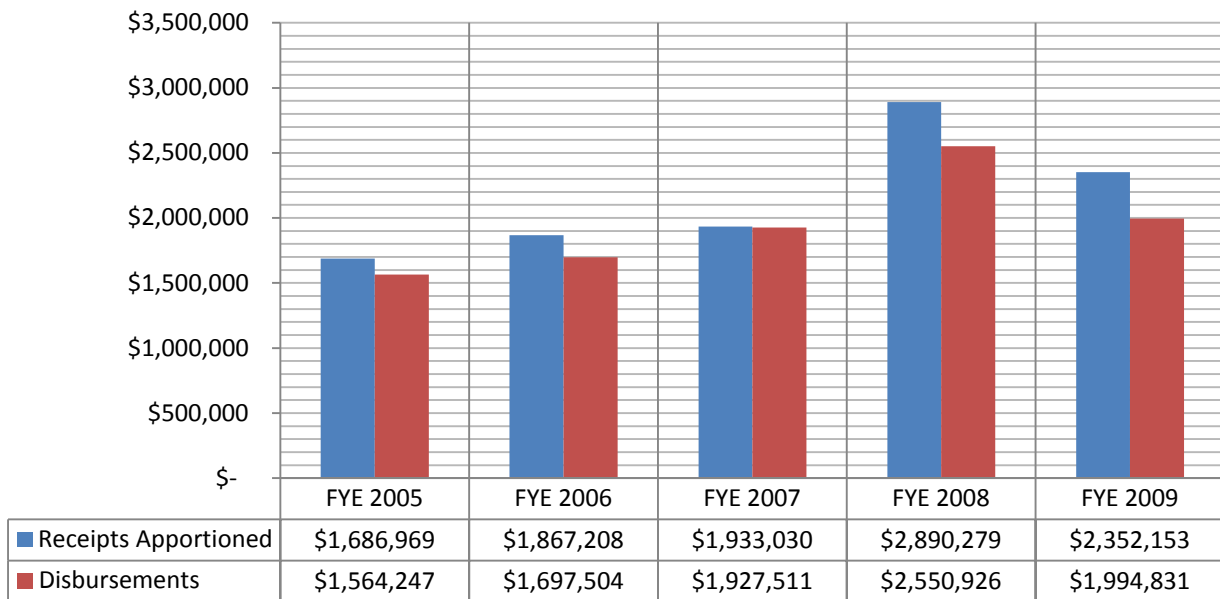


**NOWATA COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## Independent Auditor's Report

TO THE OFFICERS OF  
NOWATA COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Nowata County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the financial statement. This financial statement is the responsibility of Nowata County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Nowata County as of June 30, 2009, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Nowata County, for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of Nowata County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "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

November 27, 2012



**REGULATORY BASIS FINANCIAL STATEMENT**

**NOWATA COUNTY, OKLAHOMA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS  
(WITH COMBINING INFORMATION)—MAJOR FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:					
Major Funds:					
County General Fund	\$ 163,016	\$ 762,464	\$	\$ 770,987	\$ 154,493
Highway Cash	2,016,683	2,352,153		1,994,831	2,374,005
Sheriff Service Fee	23,182	52,449		43,494	32,137
Sales Tax	544,843	886,657		628,068	803,432
Board of Prisoners	145,930	556,771		500,853	201,848
Remaining Aggregate Funds	190,476	135,021	6,539	105,273	226,763
<b>Combined Total - All County Funds</b>	<b>\$ 3,084,130</b>	<b>\$ 4,745,515</b>	<b>\$ 6,539</b>	<b>\$ 4,043,506</b>	<b>\$ 3,792,678</b>

The notes to the financial statement are an integral part of this statement.

**NOWATA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Nowata County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – revenues are from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's Office.

Sales Tax – revenues are from a county sales tax. Disbursements are for operation of the County Sheriff's Department and construction and maintenance of the County roads.

Board of Prisoners – accounts for state collections. Disbursements are to house and feed county prisoners.

**NOWATA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified

**NOWATA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**B. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement

**NOWATA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**D. Sales Tax**

On May 14, 2002, Nowata County voters approved the extension of a one-cent sales tax. The life of said tax is to be unlimited in duration. The proceeds of the sales tax are to be placed in the sales tax revolving fund of the County, and shall be used for the following purposes and for no other: Forty-five percent (45%) to county roads and bridge maintenance and improvements, including the purchase of machinery and equipment to be used in such county road and bridge programs; fifteen percent (15%) to county general funds, to include funding for OSU County Extension Service, County Free Fair, 4-H Clubs, City-County Free Library, Charity, and County Health; thirty-five percent (35%) to county general funds, to include funding for all mandated county offices; and five percent (5%) to courthouse capital improvements and maintenance. The specific percentage to each of the foregoing purposes funded from the County general fund to be determined according to need by the Board of County Commissioners.

On February 5, 2008, Nowata County voters approved an excise tax of one percent (1%) for roads. Levying a five year excise tax of one percent (1%) upon the gross proceeds of gross receipts derived from all sales or services in the County which are taxable under the sales tax law of Oklahoma, allocating the monthly income of the said tax specifically for the construction, operation and maintenance; including the purchase of machinery and equipment to be used in the county road and bridge system of Nowata County.

**E. Interfund Transfers**

During the fiscal year, the County made the following transfer between funds:

- \$6,539 was transferred from the Excess Resale Fund (a Trust & Agency Fund) to the Resale Fund to close out the account.

**OTHER SUPPLEMENTARY INFORMATION**

**NOWATA COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 163,016	\$ 163,016	\$ -
Less: Prior Year Outstanding Warrants	(53,648)	(53,648)	
Less: Prior Year Encumbrances	(3,898)	(3,898)	
Beginning Cash Balances, Budgetary Basis	<u>105,470</u>	<u>105,470</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	424,565	460,482	35,917
Charges for Services	43,484	36,818	(6,666)
Intergovernmental Revenues	186,518	198,877	12,359
Miscellaneous Revenues	68,538	66,287	(2,251)
Total Receipts, Budgetary Basis	<u>723,105</u>	<u>762,464</u>	<u>39,359</u>
Expenditures:			
District Attorney	13,000	6,736	6,264
County Sheriff	124,494	123,343	1,151
County Treasurer	57,074	57,069	5
County Clerk	89,639	89,638	1
Court Clerk	47,265	47,265	
County Assessor	60,332	59,191	1,141
Revaluation of Real Property	145,508	141,844	3,664
General Government	52,095	17,058	35,037
Excise-Equalization Board	3,100	2,405	695
County Election Board	47,014	46,993	21
County Insurance	184,384	173,103	11,281
County Audit Budget Account	4,670		4,670
Provision for Interest on Warrants		1,288	(1,288)
Total Expenditures, Budgetary Basis	<u>828,575</u>	<u>765,933</u>	<u>62,642</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	102,001	<u>\$ 102,001</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		38	
Add: Current Year Outstanding Warrants		48,765	
Add: Current Year Encumbrances		3,315	
Add: Balance Lapsed Appropriations		374	
Ending Cash Balance		<u>\$ 154,493</u>	



**NOWATA COUNTY, OKLAHOMA  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS—  
REMAINING AGGREGATE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2009
Remaining Aggregate Funds:					
General Cash Fund	\$ 1,858	\$ -	\$ -	\$ -	\$ 1,858
Assessor Revolving Fund	9,624	2,408		3,232	8,800
County Clerk Lien Fees	22,352	4,617		5,433	21,536
Resale Property	31,913	51,479	6,539	42,314	47,617
Sheriff Donations	5,197	10,350		8,349	7,198
Treasurer Fees	31,719	2,305			34,024
Visual Inspection	1				1
County Use Tax	58,049	43,611		33,189	68,471
Preservation Fees	25,903	10,400		12,756	23,547
Animal Damage	397				397
Community Development Block Grant-REAP	1,659				1,659
Sheriff Commissary Account		9,770			9,770
Alluwe Property	1,760	81			1,841
Community Service Sentencing Program	44				44
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 190,476</b>	<b>\$ 135,021</b>	<b>\$ 6,539</b>	<b>\$ 105,273</b>	<b>\$ 226,763</b>

**NOWATA COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**1. Budgetary Schedule**

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

General Cash Fund – revenues are from an insurance reimbursement for a water leak at the Courthouse. Disbursements are to repair the damages the water leak caused.

Assessor Revolving Fund – accounts for assessor fee collections disbursed for any legal expense of the Assessor's Office.

County Clerk Lien Fees – revenues are from a fee charged by the Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's Office.

Resale Property – revenues are from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Sheriff Donations – accounts for donations received. Disbursements are made by the Sheriff's Office.

Treasurer Fees – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's Office.

Visual Inspection – accounts for state collections and disbursed as restricted by statute.

County Use Tax – accounts for receipts of Oklahoma Tax Commission collections of county use tax. Disbursements are made for the construction, purchase, and/or maintenance of county buildings.

**NOWATA COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Preservation Fees – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Animal Damage – accounts for state collections. Disbursements are to control wildlife damaging local property.

Community Development Block Grant-REAP – accounts for collection and disbursement of a state REAP grant.

Sheriff Commissary Account – revenues are from profits on commissary sales in the County jail. Disbursements are for jail improvements.

Alluwe Property – accounts for rental collections from county owned property. Disbursements are for the benefit of the County.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct:			
Payments In Lieu of Taxes	15.226		\$ 69,516
Total U.S. Department of Interior			<u>69,516</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1707	24,108
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1712	466,407
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1775	147,401
Total U.S. Department of Homeland Security			<u>637,916</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 707,432</u>

**NOWATA COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Nowata County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
NOWATA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Nowata County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Nowata County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated November 27, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nowata County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nowata County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting. 2009-2

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2009-1, 2009-3, 2009-5, 2009-7, 2009-8, 2009-11, 2009-12, and 2009-13.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nowata County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. 2009-3

We noted certain matters that we reported to the management of Nowata County, which are included in Section 4 of the accompanying schedule of findings and questioned costs contained in this report.

Nowata County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Nowata County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

November 27, 2012





# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

TO THE OFFICERS OF  
NOWATA COUNTY, OKLAHOMA

### Compliance

We have audited the compliance of Nowata County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Nowata County's major federal program for the year ended June 30, 2009. Nowata County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Nowata County's management. Our responsibility is to express an opinion on Nowata County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nowata County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Nowata County's compliance with those requirements.

In our opinion, Nowata County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-16.

### Internal Control Over Compliance

Management of Nowata County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Nowata County's internal control over

compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nowata County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-15 and 2009-18. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Nowata County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Nowata County's responses and, accordingly, we express no opinion on the responses

This report is intended solely for the information and use of management, those charged with governance, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

November 27, 2012

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? ..... Yes

Type of auditor's report issued on  
compliance for major programs: ..... Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

CFDA Number(s)  
97.036

Name of Federal Program or Cluster  
Disaster Grants - Public Assistance  
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$300,000

Auditee qualified as low-risk auditee?..... No

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2009-1—Negative Bank Account Balance (Repeat Finding)**

**Condition:** During the months of September through December 2008, the Free Fair Coupon Account held a negative balance with the bank at month end.

**Cause of Condition:** Procedures have not been designed to ensure funds are available prior to registering warrants.

**Effect of Condition:** This resulted in a negative balance on the County's general ledger.

**Recommendation:** OSAI recommends the County Treasurer verify cash is available in the fund prior to the registration of any warrants.

**Management Response:** The negative balance was due because whomever received the coupon cashed them. We would get total amount cashed then make the deposit to cover the coupons. We now try to put enough money into the account so as to not have negative balances.

**Criteria:** Title 62 O.S. § 475 requires the County Treasurer to register warrants only if cash is available to cover the warrant when paid.

**Finding 2009-2—Segregation of Duties – County Treasurer (Repeat Finding)**

**Condition:** A lack of segregation of duties exists in the County Treasurer's Office because one employee receipts official depository monies, compiles the official depository deposits daily, and reconciles the official depository account at the end of the month. Furthermore, one employee receipts tax payments and reconciles the general account at the end of the month.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties within the Treasurer's Office.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of office operations and periodic review of those operations.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Management Response:** We will try to work more by the chart you provided to my office.

**Criteria:** The overall goal of accounting principles generally accepted in the United States of America as they relate to governmental entities is to demonstrate accountability and stewardship to be used in evaluating management's accounting for funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks should be segregated.

**Finding 2009-3—Pledged Securities**

**Condition:** The County's General Fund bank account balance was underpledged in the amount of \$281,521.81 as of December 31, 2008.

**Cause of Condition:** The County relies on the bank to ensure their funds are properly collateralized. Procedures have not been designed to ensure compliance with state statutes and to ensure County funds are safeguarded against loss.

**Effect of Condition:** This condition could result in loss of county funds.

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

**Management Response:** Either I had made a huge deposit the day before and the collateral hadn't been looked into at the bank, which would result in oversight on my part.

**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.

Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets.

**Finding 2009-5—Payroll Warrant Register (Repeat Finding)**

**Condition:** The warrant register is not being signed when picking up payroll warrants from the County Clerk's Office.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Cause of Condition:** Procedures have not been designed to ensure that signed warrants are delivered to the appropriate individual for payroll.

**Effect of Condition:** This condition could result in payroll warrants being delivered to someone other than the employee.

**Recommendation:** In order to properly distribute payroll checks, OSAI recommends the warrant register be signed by the elected official or the designated employee when picking up payroll warrants from the County Clerk's Office.

**Management Response:** I was under the impression that everyone was signing the warrant register when picking up the warrants, but the payroll clerk was having the officers sign the affidavit on the payroll report instead of the warrant register. We will now require a signature on the warrant register for each warrant picked up and we will write "mailed" on the register next to those warrants we mail out.

**Criteria:** The overall goal of effective internal controls as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. A demonstration of accountability would be the warrant register being signed by the elected official or designated employee when picking up payroll warrants.

**Finding 2009-7—Official Depository Reconciliations with the Treasurer (Repeat Finding)**

**Condition:** It was determined the County Sheriff is not maintaining ledgers for the financial activity related to the official depository account. Without financial ledgers, collections received in the Sheriff's Office cannot be reconciled to amounts reported on the Treasurer's financial ledgers.

**Cause of Condition:** Procedures have not been designed to properly account for collections and disbursements of the Sheriff's official depository financial activity.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

**Recommendation:** OSAI recommends that the Sheriff maintain a financial ledger of all collections received and reconcile the ledgers on a monthly basis with the Treasurer. Reconciliations should be reviewed and approved by someone other than the preparer.

**Management Response:** The Nowata County Sheriff's Department presently maintains a financial ledger of all collections received and reconciles the ledgers on a monthly basis with the Treasurer. Reconciliations are reviewed and approved by someone other than the preparer.

This procedure was put in place in April of 2012; after the audits were completed for 2011.

**Criteria:** The overall goal of accounting principles generally accepted in the United States of America as they relate to governmental entities is to demonstrate accountability and stewardship to be used in

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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evaluating management's accounting for funds. To help ensure a proper accounting of funds, each officer should reconcile on a monthly basis the balances in their accounts to the Treasurer's Office balance. Additionally, reconciliations should be reviewed and approved by someone other than the preparer.

**Finding 2009-8—Computer Passwords and One Cash Drawer (Repeat Finding)**

**Condition:** Only one cash drawer is used in the Treasurer's Office for all employees. The computers in the Treasurer's Office are password protected, but they do not lock out users after periods of inactivity.

**Cause of Condition:** Procedures have not been designed to utilize separate cash drawers for each employee. Also, procedures have not been designed to ensure each employee is operating the system under their personal log-in.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. This control weakness exposes computers to unauthorized access, and increases the potential of unaccountability among users within the office.

**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 overseeing of office operations and a periodic review of operations. OSAI recommends management establish separate cash drawers for each employee that receipts monies. The cash drawers should be closed out and reconciled to the employee's daily receipts and be approved by someone independent of the cash drawer. OSAI recommends that computers in the office are set so that a password is required to sign into the computer after a period of inactivity.

**Management Response:** One employee balances the cash drawer at eleven o'clock each morning. Another employee gives a figure to the balancing employee for the total amount we should deposit. If we don't balance we look until we find the error. I then take the deposit to the bank the next morning.

The computer password being protected on the miscellaneous receipt system does lock us out after so long, but the tax system and payment program does not. We will talk to the programmer in regards to locking us out of each other's sign-on.

**Criteria:** In order to strengthen internal control, increase accountability, and reduce the likelihood of lost or misappropriated receipts, each employee who receives cash should have his or her own separate cash drawer.

Computers in use by county personnel should be password protected to prevent unauthorized access. Along with initial password protection, computers should also lock out users after periods of inactivity. This helps to prevent unauthorized access to a computer when an authorized user signs in and later leaves his or her desk.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Finding 2009-11—Monthly Reports Not Reconciled (Repeat Finding)**

**Condition:** We found the following conditions in the Treasurer's Office:

1. Monthly report ending balances do not always agree to the beginning balance for the next month.
2. Bank account balances are not being properly reconciled to the general ledger. Unknown errors are included in the reconciling of the bank statement to the general ledger.

**Cause of Condition:** The Treasurer manually inputs the data on the monthly reports and there are errors made. The monthly reports are not being reconciled to the general ledger accurately.

**Effect of Condition:** The Treasurers' reports are often incorrect and individual fund activity is not being reported accurately on the monthly reports.

**Recommendation:** OSAI recommends the Treasurer verify that beginning balances as reported are the same as the prior months ending balance; that apportionments by fund on the apportionment ledger agree to the monies collected for that fund for the month; and that warrants paid are properly posted. OSAI also recommends that the Treasurer performs timely reconciliations of bank statements and ensures all reconciling items are accurate and reasonable and that the monthly reports agree to the general ledger at month end.

**Management Response:**

- 1) I feel that since we have gotten the computer program that carries everything over, we have probably corrected this. Before that time, it was an oversight that balances didn't agree.
- 2) The bank statements on occasion were Treasurer error, due mainly to either credit card payments in the Court Clerk's office, or one company that when the bank emails a real estate mortgage to our office, the company depositing the payment will occasionally miscalculate and deposit an incorrect amount. I have talked with the company and hopefully have it under control.

**Criteria:** The overall goal of effective internal control as they relate to governmental entities in evaluating management's accounting for funds is to demonstrate accountability and stewardship. Safeguarding controls is an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets.

**Finding 2009-12—Footnote Disclosures (Repeat Finding)**

**Condition:** Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

**Cause of Condition:** Procedures have not been designed to prepare the accompanying notes to the financial statement.



**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Effect of Condition:** The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

**Recommendation:** OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statement to ensure appropriate disclosures are presented.

**Management Response:** I will try to have our CPA do the financial statements, but if the Commissioners feel we can't afford it, we will do what we can within our office.

**Criteria:** The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

**Finding 2009-13—Disaster Recovery Plan (Repeat Finding)**

**Condition:** County offices do not have a Disaster Recovery Plan with the exception of the County Clerk and County Treasurer. The County Clerk's and County Treasurer's Disaster Recovery Plan has not been updated since 2003. With the exception of the County Clerk, there are no written policies describing proper use of county office computer equipment; no written policies that detail duties performed on computers; or a strategic plan for meeting information system needs of the County.

**Cause of Condition:** Procedures have not been designed to develop and implement a Disaster Recovery Plan.

**Effect of Condition:** Major disruption of key business functions and processes as a result of a man-made or natural disaster, improper use of county computer equipment and/or failure to meet the information system needs of the County could result from the current conditions.

**Recommendation:** OSAI recommends that all county offices develop and/or maintain a Disaster Recovery Plan based on risk understanding of potential business impacts and address requirements for resilience, alternative processing, and recovery capability of all critical IT services. County offices should also develop written procedures describing appropriate use of county office computer equipment and duties performed on computers. In addition, a strategic plan for meeting information system needs of the County should be developed.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Management Response:**

**County Treasurer** – I will get the Disaster Plan made current.

**County Sheriff** – The Nowata County Sheriff's Department has requested and received a copy of the Disaster Recovery Plan from the Nowata County Clerk. This request was made in order to use their plan as a guide to design a plan that will meet the needs of the Sheriff's Department in case of an emergency. This plan will be in place no later than January 1, 2013.

**County Clerk** – The County Clerk's Disaster Recovery Plan will try to be updated on an annual basis.

**Chairman, Board of County Commissioners** – All the districts will develop a Recovery Plan and identify procedures and ensure all computer requirements are met.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4) information services function, management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc., and a source and alternative source defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

**Finding 2009-15 – Schedule of Expenditures of Federal Awards (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1707, 1712, 1775

**FEDERAL AWARD YEAR:** 2009

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

**Cause of Condition:** Coordination of federal awards did not occur to ensure proper reporting, adequate internal controls, and compliance with federal requirements.

**Effect of Condition:** This condition could result in a misstatement of the Schedule of Expenditures of Federal Awards.

**Recommendation:** OSAI recommends the County establish internal controls to ensure all federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards.

**Management Response:** A system to record expenditures has been developed. Records of these expenditures and work completed by the County will be stored both at the County barn and back-up copies at the County Clerk’s office.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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OMB A-133, Subpart C, §\_\_\_.300 reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310.

Additionally, FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work...This information should include the completed PW; completed Special Considerations Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and records of donated goods and services, if any.

**Finding 2009-16—Suspension and Debarment (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1707, 1712, 1775

**FEDERAL AWARD YEAR:** 2009

**CONTROL CATEGORY:** Suspension and Debarment

**QUESTIONED COSTS:** \$-0-

**Condition:** Nowata County did not verify if vendors or employees are debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

**Cause of Condition:** Nowata County does not have procedures in place to ensure vendors or employees are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

**Effect of Condition:** Nowata County may be liable for any federal awards received for reimbursement of a vendor or employee, who is debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Recommendation:** OSAI recommends that Nowata County develop procedures to ensure vendors or employees are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

**Management Response:**

**County Clerk** – Although this is not a specific duty of the County Clerk, we will attempt to maintain a file ensuring vendors or employees are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any federal agency.

**Criteria:** Federal Compliance Supplement Part Three states in part:

*...entities are prohibited from contracting with or making sub awards under covered transactions to parties that are suspended or debarred...*

**Finding 2009-18—SEFA Understatement (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1712

**FEDERAL AWARD YEAR:** 2009

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** The County's Schedule of Expenditures of Federal Awards was understated in the amount of \$49,962. The misstatement was related to FEMA disaster 1712.

**Cause of Condition:** Procedures have not been designed to properly report and monitor FEMA expenditures and address risks related to inaccurate accounting records and noncompliance.

**Effect of Condition:** Lack of internal controls over major program expenditures could lead to erroneous reporting and/or material misstatement of the County's Schedule of Expenditures of Federal Awards, and increases the potential for material noncompliance.

**Recommendation:** OSAI recommends that procedures be designed to adequately report federal expenditures on the County's Schedule of Expenditures of Federal Awards.

**Management Response:** The County has developed improved recording procedures to accurately record all expenditures related to any FEMA disasters. This has been done by the development of daily work sheets.

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Criteria:** *OMB Circular A-133* §\_\_.300 states that the auditee shall:

Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

*OMB Circular A-133* §\_\_.310 states that the auditee shall:

Prepare appropriate financial statements, including the Schedule of Expenditures of Federal awards.

**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2009-9—Inmate Trust Account (Repeat Finding)**

**Condition:** Our testwork of the Inmate Trust Account revealed the following:

- Not all monies are receipted when received by the Sheriff’s Department. Upon booking, an inmate’s money is not receipted in. It is put into an envelope and signed by the inmate and deputy. However, when the money is deposited, the envelope is thrown away. Therefore, upon release of the inmate, there is nothing documented to verify how much that inmate had at the original booking.
- There are multiple receipt books. The arresting officer will use any available receipt book to receipt out of. The receipt books are prenumbered but are not issued in sequential order because multiple receipt books are being used. Therefore, not all the receipts can be accounted for.
- Not all receipts written denote the type of currency (cash, check, money order).
- Sometimes the County will receipt in an inmate’s money but the inmate is released the next day. If that is the case, they just give the money back to the inmate before it is ever deposited, but there is no record of this.
- There is a lack of segregation of duties regarding the receipting, depositing, and bookkeeping/reconciling functions.
- Monies that are mailed in are not receipted.
- Voided receipts do not always have original receipts maintained.
- The annual commissary report is not filed with the County Commissioners.
- The Inmate Trust Fund and the Commissary Fund are comingled in one bank account.
- The Sheriff’s Department made a lease payment from the Inmate Trust Fund in the amount of \$7,444.57.

**Cause of Condition:** Procedures for a proper segregation of duties and for accurate financial reporting have not been designed. The Sheriff’s Office was not aware of the statute requiring a Commissary Fund

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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to be kept separate from the Inmate Trust Fund. The Sheriff's Office was not aware of the statute requiring an annual commissary report be filed with the County Commissioners.

**Effect of Condition:** Without proper accounting of funds and monthly reconciliations, the Sheriff's Office is unable to have a complete and accurate assessment of the monies on hand in the Inmate Trust Account. This may also result in undetected errors and/or misappropriation of Inmate Trust Funds.

**Recommendation:** OSAI recommends the following:

- Steps should be taken to ensure that records are retained and support daily deposits.
- All money received should be deposited on a daily basis.
- The Sheriff's Office should maintain control of the sequential order of which receipt books are used for inmate monies deposited in the Inmate Trust Fund Account.
- The Sheriff's Office should file an annual commissary report with the County Commissioners.
- The Sheriff's Office should maintain a cash fund with the County Treasurer for commissary funds.
- All voided receipts should be maintained and kept in a receipt book. This will ensure all receipt numbers are accounted for and the accuracy of the deposited monies.
- Duties regarding the receipting, depositing, and bookkeeping/reconciling of inmate funds should be properly segregated.
- Procedures should be implemented to ensure all receipts are deposited.

**Management Response:**

- Nowata County Sheriff's Department presently retains records that support daily deposits.
- Nowata County Sheriff's Department presently deposits all monies received on a daily basis.
- Nowata County Sheriff's Department presently maintains control of the sequential order of which receipts books are used for inmate monies deposited in the Inmate Trust Fund Accounting/receipts written denote the type of currency taken in (cash, check or money order).
- Nowata County Sheriff's Department utilizes three separate receipt books, one is used only at the time of booking, one is used only for the money orders that are hand carried into the Sheriff's Department, and one is used only for money orders that are mailed into the Sheriff's Department.
- Nowata County Sheriff's Department will file an annual commissary report with the County Commissioners before the 15<sup>th</sup> day of January 2013.
- Nowata County Sheriff's Department presently maintains a cash fund with the County Treasurer for commissary funds.
- Nowata County Sheriff's Department presently maintains voided receipts which are kept with the receipt book.
- Nowata County Sheriff's Department presently segregates duties regarding the receipting, depositing, and bookkeeping/reconciling of inmate funds.
- Nowata County Sheriff's Department presently ensures that all receipts are deposited.
- Nowata County Sheriff's Department being new to putting inmate monies in a bank account and also being new to having commissary, made the mistake in 2008 of making a lease payment in the amount of \$7,734.43 for an inmate transport van. Once being advised by auditors this could not be done, lease payments were never made again from the Inmate Trust Account. In 2008,

**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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was when the correction was made and the Inmate Trust Fund Account and Commissary accounts were separated into two accounts.

**Criteria:** Statutory control requirements have been established for the depositing of funds.

Title 19 O.S. §531.A. states in part:

The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.

To ensure a proper accounting of funds, receipts should be issued in sequential order, adequate documentation for receipts should be maintained, a reconciliation of accounting records to bank records should be performed, and supervisory review should be in place.

Title 19 O.S. § 180.43 states in part:

The Sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.

**Finding 2009-10—Segregation of Duties Court Clerk (Repeat Finding)**

**Condition:** The duties of receipting, depositing, and bookkeeping/reconciling have not been adequately segregated in the Court Clerk's Office.

**Cause of Condition:** Procedures have not been designed to separate key accounting functions of the office.

**Effect of Condition:** By failing to properly segregate duties, there is an increased risk of material misstatement or misappropriation. Over a period of time, this may contribute to an error or fraud of a material amount.

**Recommendation:** OSAI recommends that management be aware of this condition and realize that for an individual to have authorization over a complete transaction cycle and record keeping is not desirable from a control point of view. The functions of fee collection, receipt printing, and end of day balancing/deposit should be divided and delegated so that no one individual is authorized for all those tasks.

**Management Response:** I was not the Court Clerk during the fiscal year 2009. I am working on correcting the condition of segregating the duties of my deputies.

**Criteria:** Segregation of duties over asset custody, transaction authorization, bookkeeping, and reconciliation is an important element of effective internal control over government assets and resources. The overall goal of effective internal control is to demonstrate accountability and stewardship.



**NOWATA COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**Finding 2008-15—Schedule of Expenditures of Federal Awards**

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AGENCY:** United States Department of Homeland Security

**FINDING SUMMARY:** The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

**Status:** Not corrected.

**Finding 2008-16—Suspension and Debarment**

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AGENCY:** United States Department of Homeland Security

**FINDING SUMMARY:** Nowata County did not verify if vendors or employees are debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

**STATUS:** Not corrected.

**Finding 2008-17—Undocumented Federal Costs**

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AGENCY:** United States Department of Homeland Security

**FINDING SUMMARY:** During our audit, we identified federal program CFDA #97.036, Disaster 1735 with \$22,024.61 of undocumented costs. These undocumented costs do not have supporting documentation that they were expended in compliance with Federal requirements.

**STATUS:** Corrected. There were no items of this nature noted for the audit period ending June 30, 2009.

**Finding 2008-18—SEFA Understatement**

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**FEDERAL AGENCY:** United States Department of Homeland Security

**FINDING SUMMARY:** During our audit, we identified federal program expenditures inaccurately listed on the Nowata County Schedule of Federal Awards. We noted that FEMA Disaster 1712 was understated by \$49,962.

**STATUS:** Not corrected.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)