

COUNTY AUDIT

# OTTAWA COUNTY

For the fiscal year ended June 30, 2007



*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

**OTTAWA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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

May 2, 2012

TO THE CITIZENS OF  
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa County, Oklahoma for the fiscal year ended June 30, 2007. 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 that reads "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

**OTTAWA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**OTTAWA COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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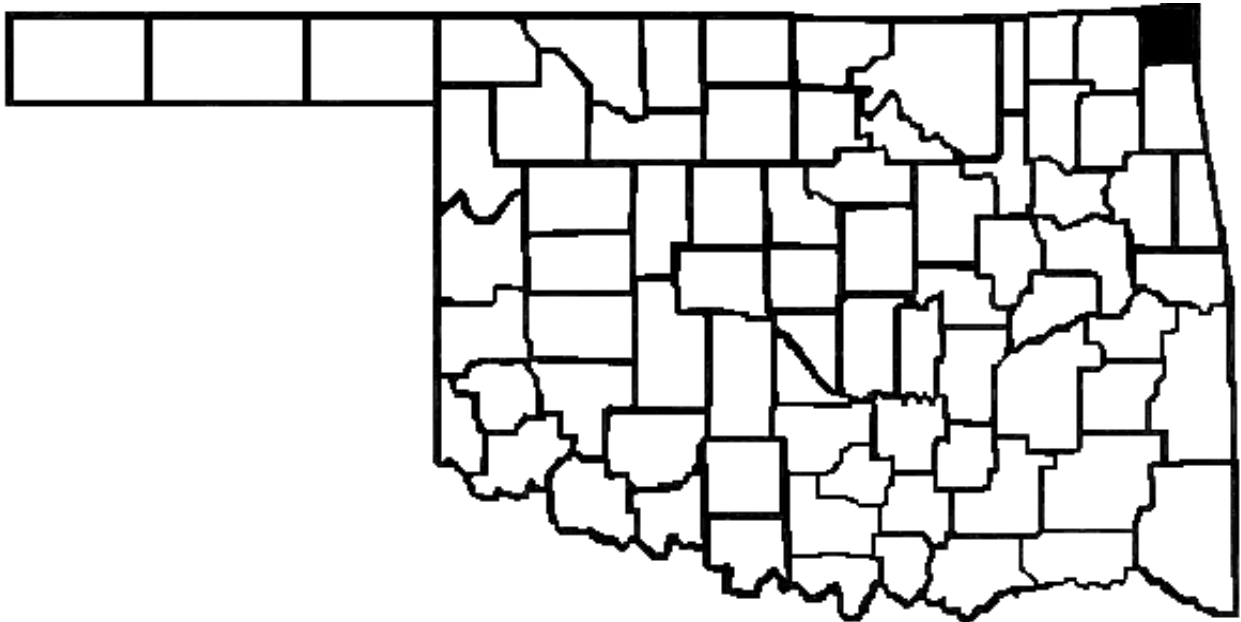
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**REPORT TO THE CITIZENS  
OF  
OTTAWA COUNTY, OKLAHOMA**

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The extreme northeastern county of Oklahoma, bordering Kansas and Missouri, is named for the Ottawa Indians. This county has been the home to members of a greater number of Indian tribes than any other county in the United States. With 71 percent of the total land areas in farms, as much as 60 percent of the county's agricultural income is from livestock and dairy products. Northeastern Oklahoma A&M College is located in Miami, the county seat. Various industries are represented throughout Ottawa County.

For additional information, please call the county clerk's office at (918) 542-3332.

County Seat – Miami

Area – 484.73 Square Miles

County Population – 32,866  
(2005 est.)

Farms – 1,137

Land in Farms – 226,436 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**OTTAWA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY ASSESSOR**  
Linda S. Kelly

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

**COUNTY CLERK**  
Reba G. Sill

The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

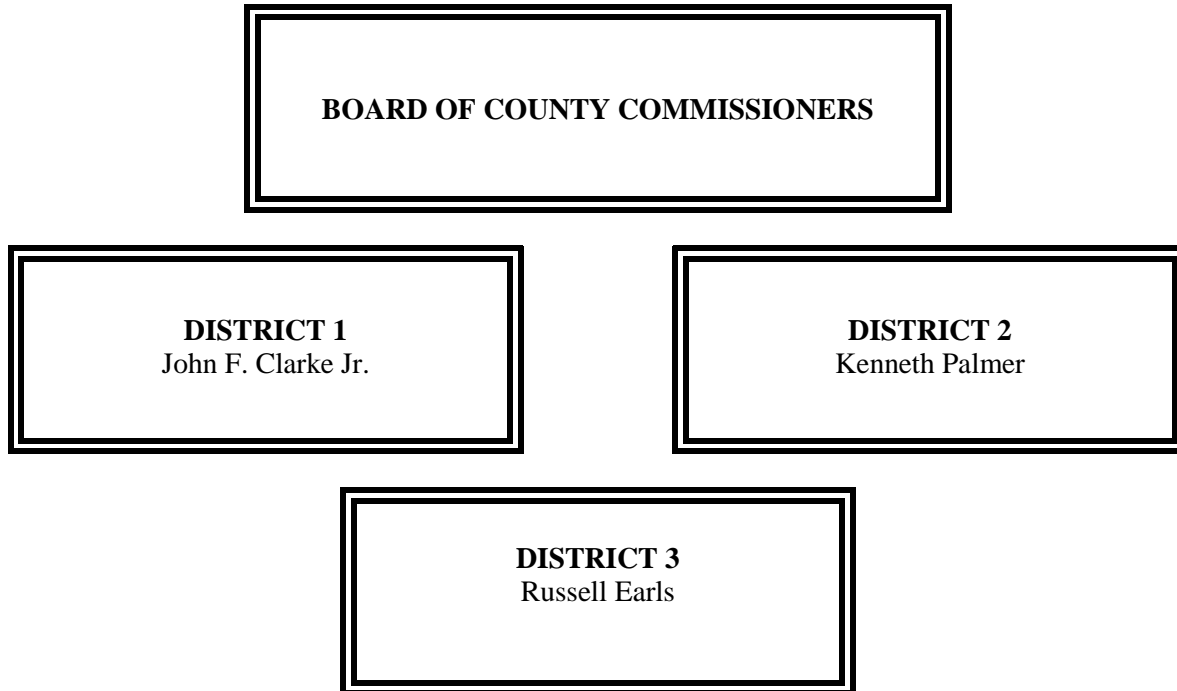
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**OTTAWA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.



**OTTAWA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COUNTY SHERIFF**  
Terry Durborow

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

**COUNTY TREASURER**  
Brenda Conner

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**OTTAWA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**COURT CLERK**  
Cathy Williams

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

**DISTRICT ATTORNEY**  
Eddie Wyant

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**OTTAWA COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**ELECTION BOARD SECRETARY**  
Verna Ferris

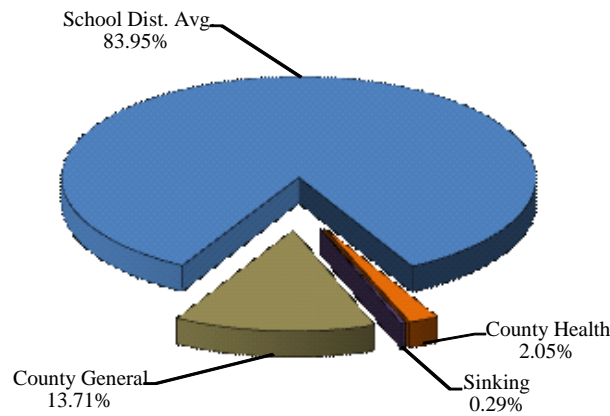
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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								
				Gen.	Bldg.	Skg.	EMS	Career		Total
								Tech	Common	
County General	10.00	Turkey Ford	D-10	35.00	5.00	5.33		11.00	4.00	60.33
County Health	1.50	Wyandotte	I-1	35.00	5.00	12.58		11.00	4.00	67.58
County Sinking	0.21	Quapaw	I-14	35.00	5.00			11.00	4.00	55.00
<u>Cities and Towns</u>		Picher	I-15	35.00	5.00	8.31		11.00	4.00	63.31
Miami	6.23	Commerce	I-18	35.00	5.00			11.00	4.00	55.00
		Miami	I-23	35.00	5.00	5.41	3.00	11.00	4.00	63.41
		Afton	I-26	35.00	5.00	2.37		11.00	4.00	57.37
		Fairland	I-31	35.00	5.00	9.50		11.00	4.00	64.50
		Neosho Valley		35.00	5.00	15.87		11.00	4.00	70.87
		Miami	I-18/23	35.00	5.00			11.00	4.00	55.00

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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Total net assessed value as of January 1, 2006		\$ 112,017,385
Debt limit - 5% of total assessed value		5,600,869
Total bonds outstanding	160,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>38,196</u>	<u>121,804</u>
Legal debt margin		<u>\$ 5,479,065</u>

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

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	2007
Estimated population	32,866
Net assessed value as of January 1, 2006	\$ 112,017,385
Gross bonded debt	160,000
Less available sinking fund cash balance	38,196
Net bonded debt	\$ 121,804
Ratio of net bonded debt to assessed value	0.109%
Net bonded debt per capita	\$ 3.71

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
 (UNAUDITED)**

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Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$ 22,408,958	\$ 16,325,802	\$ 80,477,394	\$ 7,194,769	\$ 112,017,385	\$ 982,608,640

See independent auditor's report.

**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  
OTTAWA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Ottawa County's management. Our responsibility is to express an opinion 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because 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 Ottawa County as of June 30, 2007, 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 of Ottawa County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012, on our consideration of Ottawa 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 funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the 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 basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. 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

April 17, 2012

## **Basic Financial Statement**

**OTTAWA COUNTY, OKLAHOMA  
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 (WITH COMBINING INFORMATION)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
County General Fund	\$ 590,460	\$ 2,966,592	\$ 2,794,608	\$ 762,444
County Sales Tax	66,322	3,446	12,306	57,462
County Health	174,264	192,454	209,426	157,292
Highway Cash	856,534	2,244,132	1,981,087	1,119,579
Highway 1/2 Cent Sales Tax	1,130,428	1,038,353	1,121,434	1,047,347
District 1 D.E.Q. Settlement	230,258	3,957	91,423	142,792
Resale	43,609	87,816	63,743	67,682
Sheriff Service Fee	92,693	250,723	298,618	44,798
Sheriff DARE	161			161
Sheriff DFCF	681			681
County Clerk Lien Fee	9,017	15,306	7,493	16,830
County Treasurer Mortgage Certification Fee	7,276	8,095	4,512	10,859
County Clerk Preservation	21,006	33,891	29,116	25,781
MIDA Rawlings Sinking	40,046	23,200	25,050	38,196
Sheriff Commissary	8,821	52,475	51,883	9,413
Sheriff Drug Buy	2,750			2,750
Sheriff Bond Fee	2,542	12,992	12,913	2,621
Child Abuse Prevention	5,646	252		5,898
Firefighters Sales Tax	140,717	294,085	261,817	172,985
Board of Prisoners	127,998	506,372	533,308	101,062
County Assessor Revolving	13,542	5,548	2,286	16,804
Insurance Recovery Cash Fund	8			8
DEQ 2	51,047	330,594	381,641	
<b>Combined Total -- All County Funds</b>	<b>\$ 3,615,826</b>	<b>\$ 8,070,283</b>	<b>\$ 7,882,664</b>	<b>\$ 3,803,445</b>

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

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Ottawa County, Oklahoma. The financial statement referred to includes only the primary government of Ottawa County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

**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 funds included as supplementary information within the financial statement:

County General Fund - accounts for the general operations of the government.

County Sales Tax – revenues are from interest earnings. This is the residual balance of sales tax collected for the construction of the county jail. Disbursements are for capital improvements to the jail.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are from the operation of the county health department.

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

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Highway ½ Cent Sales Tax – revenues are from a county sales tax. Disbursements are for the construction of county roads and bridges.

District 1 D.E.Q. Settlement – revenues are from reimbursements from the Environmental Protection Agency and are disbursed for the rebuilding of roads damaged in District 1.

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

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

Sheriff DARE – revenues are from donations for drug education. Disbursements are for payroll of officers who go into schools and teach Drug Abuse Resistance Education.

Sheriff DFCE – revenues are from monies seized and forfeited to the Sheriff’s office. Disbursements are for the maintenance and operation of the Sheriff’s Drug Task Force.

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

County Treasurer Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the County Treasurer’s office.

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

MIDA Rawlings Sinking – revenues are from ad valorem taxes and interest earnings. Disbursements are for the payment of principal and interest on bonds and judgments against the County.

Sheriff Commissary – revenues are from profits of commissary sales in the county jail. Disbursements are for jail improvements.

Sheriff Drug Buy – revenues are from the sale of seized and forfeited property sold at auction. Disbursements are for drug prevention.

Sheriff Bond Fee – revenues are from a fee charged to all persons who post a surety bond and are subsequently incarcerated. Disbursements are for any legal expense of the jail.

Child Abuse Prevention – revenues are from a federal grant. Disbursements are for child abuse prevention.

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Firefighters Sales Tax – revenues are from county sales tax. Disbursements are for general operation, maintenance, training, and construction of new and existing fire department buildings.

Board of Prisoners – revenues are from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail.

County Assessor Revolving – revenues are from any and all fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor’s office.

Insurance Recovery Cash Fund – revenues are from insurance claims filed by the County. Disbursements are for the replacement of items damaged in the courthouse.

DEQ 2 – revenues are from reimbursements from the Environmental Protection Agency. Disbursements are for the rebuilding of roads damaged in District 1.

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.

**C. Basis of Accounting**

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**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.

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

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).

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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.

**G. Compensated Absences**

All forty hour per week full-time Ottawa County employees shall be entitled to annual leave that is accrued on a monthly basis in accordance with the schedule outlined below:



**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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First Year	40 hours	3.333 hours per month
Second Through Fourth Year	80 hours	6.666 hours per month
Fifth Through Ninth Year	120 hours	9.999 hours per month
Tenth Year	160 hours	13.333 hours per month

All thirty-five hour per week full-time Ottawa County employees shall be considered full-time and shall be entitled to annual leave that is accrued on a monthly basis in accordance with the schedule outlined below:

First Year	40 hours	3.333 hours per month
Second Through Fourth Year	80 hours	6.666 hours per month
Fifth Through Ninth Year	120 hours	9.999 hours per month
Tenth Year	160 hours	13.333 hours per month

Annual leave must be earned before it is taken. No annual leave will be longer than eighty consecutive working hours without permission of the appropriate elected official. Annual leave schedules are subject to the elected official approval. Employees may not carry over more than eighty hours of annual leave days per year. Annual leave and compensatory leave are paid upon separation from the County.

All full-time Ottawa County employees are entitled to sick leave with pay that is accrued on a monthly basis. Sick leave benefits are accrued at the rate of eight hours for each calendar month of service to the County for all forty hour per week full-time Ottawa County employees and at the rate of seven hours for each calendar month of service to the County for all thirty-five hour per week full-time Ottawa County employees. Sick leave must be earned before it is taken. Sick leave may be accrued up to a maximum of 288 hours for all forty hour per week full-time Ottawa County employees and up to a maximum of 252 for all thirty-five hour per week full-time Ottawa County employees. Sick leave is not paid upon termination.

**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."

The assessed property value as of January 1, 2006, was approximately \$112,017,385.

The County levied 10.00 mills (the legal maximum) for general fund operations, 1.50 mills for county health department, and 0.21 mills for county sinking. In addition, the County collects the

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2007, were approximately 92.36 percent of the tax levy.

**3. Fuel Tax**

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.

**4. Risk Management**

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

**5. Long-term Obligations**

**Capital Leases**

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

County General Obligation Limited Tax Bonds of 1987 – bonds in the amount of \$400,000 were issued July 1, 1987, to provide funds for the purpose of securing and developing industry within Ottawa County.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Ottawa County General Obligation Bonds of 1987	6.00%	\$145,000

During the fiscal year ended June 30, 2007, principal payments of \$15,000 and interest payments of \$10,050 were made on this issue.

Annual debt service requirements to maturity for general obligation bonds, including interest of 6.00%, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 15,000	\$ 9,150	\$ 24,150
2009	15,000	8,250	23,250
2010	15,000	7,350	22,350
2011-2015	45,000	16,650	61,650
2016-2018	70,000	9,900	79,900
<b>Total</b>	<b>\$ 160,000</b>	<b>\$ 51,300</b>	<b>\$ 211,300</b>

**6. 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.

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$319,649, \$306,698, and \$357,687, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

**7. 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.

**8. 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 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.

**9. Sales Tax**

On September 15, 1992, Ottawa County voters approved a permanent one-half cent sales tax. The purpose of the tax is the construction, maintenance, and operation of a modern jail facility and operation of the Ottawa County Sheriff's Department. The one-half cent sales tax is apportioned to the County Sales Tax fund for the operation of the Sheriff's Department.

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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On November 3, 1998, Ottawa County voters approved a permanent one-half cent sales tax effective January 1, 1999, for the construction, operation, and maintenance of the county road and bridge system of Ottawa County, Oklahoma. The one-half cent sales tax is apportioned to the Highway Sales Tax fund for the designated purpose.

On November 18, 2003, Ottawa County voters approved a one-tenth of one percent (1/10 of 1%) county sales tax in perpetuity and effective on or after April 1, 2004, which is to be used to fund the fire departments in Ottawa County, for purposes including, but not limited to equipment, general operations, maintenance, training, and the construction of new fire department buildings or improvements to existing fire department buildings.

On December 13, 2005, Ottawa County voters approved a one-fourth of one percent (1/4 of 1%) county sales tax for the sole purpose to pay for acquiring, constructing, equipping, repairing, renovating, operating, and maintaining County Courthouse facilities for the County of Ottawa County, Oklahoma; and to pay the principal and interest on indebtedness incurred on behalf of the County by the Ottawa County Governmental Building Authority for such purposes. The effective date of this tax is April 1, 2006, and shall expire and cease to be collected when sufficient funds have been collected from said levy to retire such indebtedness or on April 1, 2036, whichever shall be earlier.

**OTHER SUPPLEMENTARY INFORMATION**

**OTTAWA 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, 2007**

	General Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 590,462	\$ 590,460	\$ (2)
Less: Prior Year Outstanding Warrants	(129,605)	(129,536)	69
Less: Prior Year Encumbrances	(13,400)	(11,271)	2,129
Beginning Cash Balances, Budgetary Basis	<u>447,457</u>	<u>449,653</u>	<u>2,196</u>
Receipts:			
Ad Valorem Taxes	1,018,340	1,050,366	32,026
Charges for Services	355,334	410,040	54,706
Intergovernmental Revenues	677,549	458,416	(219,133)
Sales Tax	898,537	1,006,746	108,209
Miscellaneous Revenues	28,049	41,024	12,975
Total Receipts, Budgetary Basis	<u>2,977,809</u>	<u>2,966,592</u>	<u>(11,217)</u>
Expenditures:			
District Attorney	4,000	3,808	192
County Sheriff	1,046,662	1,046,661	1
County Treasurer	153,543	152,990	553
County Commissioners	15,823	13,796	2,027
OSU Extension	52,706	52,302	405
County Clerk	248,746	248,727	18
Court Clerk	435,124	433,944	1,180
County Assessor	163,945	160,061	3,884
Revaluation of Real Property	104,203	104,202	1
General Government	1,046,748	408,621	638,127
Excise-Equalization Board	2,164	1,956	208
County Election Expense	124,981	116,002	8,979
County Audit Budget Account	11,921		11,921
County Cemetery Account	1,200	500	700
Free Fair Budget Account	<u>9,500</u>	<u>8,474</u>	<u>1,026</u>
Provision for Interest on Warrants	4,000	1,659	2 341
Total Expenditures, Budgetary Basis	<u>3,425,266</u>	<u>2,753,703</u>	<u>671,563</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	662,542	<u>\$ 662,542</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		23,941	
Add: Current Year Outstanding Warrants		75,961	
Ending Cash Balance		<u>\$ 762,444</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	County Health Department Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 174,264	\$ 174,264	\$ -
Less: Prior Year Outstanding Warrants	(4,886)	(4,886)	
Less: Prior Year Encumbrances	(10,396)	(9,754)	642
Beginning Cash Balances, Budgetary Basis	158,982	159,624	642
Receipts:			
Ad Valorem Taxes	151,217	157,555	6,338
Miscellaneous Revenues	35,829	34,899	(930)
Total Receipts, Budgetary Basis	187,046	192,454	5,408
Expenditures:			
Health and Welfare	321,364	269,833	51,531
Capital Outlay	24,664	14,009	10,655
Total Expenditures, Budgetary Basis	346,028	283,842	62,186
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	68,236	\$ 68,236
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		86,504	
Add: Current Year Outstanding Warrants		2,552	
Ending Cash Balance		\$ 157,292	

The accompanying notes to the other supplementary information are an integral part of this schedule. See independent auditor's report.



**OTTAWA COUNTY, OKLAHOMA  
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—SINKING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Beginning Cash Balance	<u>\$ 40,046</u>
Receipts:	
Ad Valorem Tax	22,251
Interest	<u>949</u>
Total Receipts	<u>23,200</u>
Disbursements:	
Principal - G.O. Bonds	15,000
Interest on Bonds	<u>10,050</u>
Total Disbursements	<u>25,050</u>
Ending Cash Balance	<u><u>\$ 38,196</u></u>

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present 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. Sinking Fund Schedule**

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

See independent auditor's report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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## **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  
OTTAWA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Ottawa County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 17, 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 Ottawa 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 Ottawa 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 responses, 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 responses to be a material weakness in internal control over financial reporting. 2007-6, 2007-7, 2007-9

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 responses to be significant deficiencies in internal control over financial reporting. 2007-2, 2007-3, 2007-5, 2007-8, 2007-10, 2007-11

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottawa 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-6 and 2007-7.

We noted certain matters that we reported to the management of Ottawa County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Ottawa County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Ottawa 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

April 17, 2012

**OTTAWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SECTION 1—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 2007-2 – Reconciliations**

Condition: Based on our documentation of controls, reconciliations are not performed between the County Clerk's appropriation ledger and the Treasurer's general ledger.

Cause of Condition: Procedures have not been designed for the County Clerk and County Treasurer to work together to reconcile the appropriation ledger and the general ledger.

Effect of Condition: This condition could result in unrecorded transactions and undetected errors.

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the County Clerk's appropriation ledger and the Treasurer's general ledger.

Management Response:

**Beth Sly, Ottawa County Treasurer**

Began reconciliations 4/1/12, will take several months to complete.

**Reba Sill, Ottawa County Clerk**

The County Clerk and Treasurer are in the process of reconciling all accounts.

Criteria: To help ensure a proper accounting of funds, the County Clerk's appropriation ledger should be reconciled monthly to the Treasurer's general ledger.

**Finding 2007-3 – Backup Tapes, Disaster Recovery Plans, and Computer Usage Policies**

Condition: The County Assessor and the Board of County Commissioners do not have written Disaster Recovery Plans. The County Clerk has a Disaster Recovery Plan but it had not been updated recently. The County Treasurer and the Sheriff both have Disaster Recovery Plans but these plans have never been tested. Additionally, the County Treasurer does not have written policies describing appropriate use of county computer equipment or written policies detailing the duties performed on computers. Also, the Sheriff does not store back up information at an off-site location.

Cause of Condition: Procedures have not been designed for the County to assess the risks associated with information technology and to develop and implement a Disaster Recovery Plan and policies for the appropriate use of county computer equipment.

**OTTAWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. Storing backup tapes on site could also lead to a problem if a disaster occurred at the work place, which would destroy both the system and the backup tapes. This could also cause significant problems in ensuring county business could continue uninterrupted.

Without an IT security policy in place, the County is at risk of a loss of financial and taxpayer data as well as a risk for misappropriation of county funds.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan which is stored offsite 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.

The County should ensure that backup tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster. Management should also establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees.

Management Response:

**Beth Sly, Ottawa County Treasurer**

Spoke with Kellpro and test procedure will be performed within the month. Employee personnel computer policy written, signed by each employee and filed 4/18/12.

**OTTAWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**Reba Sill, Ottawa County Clerk**

The County Clerk's Office did have a written Disaster Recovery Plan. It was implemented in September 2002 and revised October 14, 2005. However, the plan did contain outdated information. An updated Disaster Recovery Plan was completed on April 12, 2012. The County Clerk does have an Acceptable Use Policy for their employees.

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 guidelines and instructions for the County to follow in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

**Finding 2007-5 - Bank Account not on General Ledger**

Condition: Two bank accounts in the County's name and tax identification number (Ottawa County Free Fair – Premium Account and Ottawa County Free Fair Inc.) were not on the Treasurer's general ledger at June 30, 2007.

Cause of Condition: Bank accounts are not reconciled to the general ledger.

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

Recommendation: OSAI recommends that bank accounts in the County's name, identified with the County's tax identification number be included on the general ledger. Should accounts not be the County's fund, then the County's tax identification needs to be removed from the account.

Management Response:

**Beth Sly, Ottawa County Treasurer**

Ottawa County Free Fair has its own account and EIN number as of October 2008.

Criteria: To help ensure a proper accounting of funds, all banks identified with the County's tax identification number should be included on the general ledger.

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...



**OTTAWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**Finding 2007-6 – Unsecured Deposits**

Condition: During the month of December 2006, the County was under-collateralized at one bank by \$6,157.77. The County was under-collateralized in another bank during the months of December 2006 and January 2007 in the amounts of \$187,783.20 and \$286,490.83, respectively.

Cause of Condition: Procedures have not been designed to ensure collateral requirements are met.

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

Recommendation: OSAI recommends management establish policies and procedures to periodically compare the amount of pledged collateral to amounts deposited, to ensure pledges are adequate and all deposits are secured.

Management Response:

**Beth Sly, Ottawa County Treasurer**

We had to close out investment held by NEO Credit Union because they did not want to provide collateral.

Criteria: Title 62 O.S. § 517.4.A. states:

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

**Finding 2007-7 – Sales Tax**

Condition: Controls have not been designed which would ensure sales tax is apportioned in accordance with the sales tax ballots. Ottawa County had four separate sales taxes in effect during the fiscal year under examination. Upon recalculating the fiscal year 2007 sales tax split among the different entities, we noted the fire departments received \$69,286 and the courthouse received \$168,868 more than, and the Sheriff and the Highways each received \$116,578 less than, directed by the sales tax votes.

Cause of Condition: Procedures have not been designed to ensure sales tax receipts are apportioned correctly.

Effect of Condition: The County is not in compliance with the sales tax ballots as voted on and passed by the citizens of the County.

**OTTAWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Recommendation: OSAI recommends procedures be established to ensure sales tax collected is apportioned in accordance with the sales tax ballots, and entities receiving sales tax proceeds, as prescribed by the sales tax ballots, receive the proper amount of appropriations.

Management Response:

**Beth Sly, Ottawa County Treasurer**

This problem has been corrected.

Criteria: Title 68 O.S. § 1370.E states in part:

...the proceeds of any sales tax levied by a county shall be deposited in the general revenues or sales tax revolving funds of the county and shall be used only for the purpose for which such sales tax was designated.

**Finding 2007-8 – Payroll**

Condition: Our test work of payroll documentation revealed the following:

- Attendance records were not signed by the employee and/or supervisor in District 2 and District 3.
- Time reports for the Sheriff's employees do not always note when an employee clocked out, making it impossible to determine if the employee was actually paid for hours worked.
- Annual, sick, and compensation records for the Sheriff's employees denote time available to be used but does not show accruals or usage.
- Insurance deductions did not agree with documentation in 10 of the 14 employee files tested.
- Pay scale documentation or employee status change forms were not present to denote pay for the time period audited for 9 of the 17 employee files selected.
- Time records were not available for one Sheriff employee.
- Annual, sick, and compensatory time records were not complete for one highway employee.
- The original signed pay claim that initiates payroll was not retained. According to the County Clerk, the original is thrown away after updating the payroll system. A new claim is given to the officer to review and sign; however, upon speaking to various officers we noted that the officers did not retain the original claim to compare to the new claim for accuracy.

Cause of Condition: The County has not designed county-wide policies regarding the reporting of employees' time and leave balances, the retention of payroll records, and the documentation required for personnel files.

Effect of Condition: These conditions could result in errors, omissions, inaccurate records, and/or misappropriation of funds.

**OTTAWA COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Recommendation: OSAI recommends management implement procedures to ensure the following:

- Timesheets and leave balances are signed by the employee and supervisor/elected official and submitted to the County Clerk each pay period.
- Information used to generate payroll, including insurance deductions, pay scale documentation, and leave records should agree to the final payroll claim.

Management Response:

**Reba Sill, Ottawa County Clerk**

As part of the monthly payroll process, each employee's insurance premium is balanced with the invoice provided by OSEEGIB. Copies of the report generated by the payroll system, as well as OSEEGIB's invoice, are made and any discrepancies between the two are denoted. These reports are retained for 7 years. If an employee makes no changes in their insurance plan, an amount would be different only because OSEEGIB has made premium adjustments. However, in order to make it easier for audits to be conducted in the future, during Option Period a confirmation statement of benefits will be printed for every employee and placed in their individual personnel files. Although the same information is part of the payroll process on a monthly basis, an additional step will be added annually.

To the best of my knowledge, it is not a statutory requirement for a department to provide Employee Status Change Forms. This process was implemented several years ago as a means to assist departments and payroll in tracking/making accurate changes. I'm not certain what documentation is referenced as a requirement.

I do not retain the signed pay claim that initiates payroll because it is simply a worksheet to begin the payroll process. As a result of computerization, this system was implemented. When the original payroll claims are generated, an additional copy is made for each department to use to indicate changes for the next pay period. Most usually, it is only used as a mechanism to report total hours for part-time employees and should be supported by department maintained time sheets. Generally, all other changes are denoted on an Employee Status Change Form. Once the indicated changes have been made, an original payroll claim/purchase order is generated, which the elected official/department head verifies and signs. Said claims are retained for 5 years.

Auditor Response: During our test work there was no documentation in the file to support the amount paid to 9 out of 17 employees tested. Without an employee status change form or the original signed pay claim, we were unable to determine if the employees tested were paid the correct amount.

Criteria: To help ensure a proper accounting of funds, payroll claims should be authorized by the elected official, reviewed and approved by the Board of County Commissioners prior to the issuance of payroll, and information used to generate payroll should agree to the final payroll claim. Also, timesheets and leave balances should be signed by the employee and supervisor/elected official and submitted to the County Clerk each pay period.

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**Finding 2007-9 – Segregation of Duties – Payroll**

Condition: A lack of segregation of duties exists in the County Clerk's office because one person enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues and prints payroll warrants, and removes terminated employees from the system.

Cause of Condition: Procedures have not been designed to adequately segregate the accounting process related to payroll.

Effect of Condition: These conditions could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

**Reba Sill, Ottawa County Clerk**

It is the desire of the Ottawa County Clerk's Office to perform all duties as prescribed by the State Auditor and Inspector. However, due to lack of funds, it is not possible to totally segregate all the duties required. We are cognizant of the problem and will manage it to the best of our ability.

Criteria: Procedures should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**Finding 2007-10 – OPERS Benefits (Repeat Finding)**

Condition: OSAI noted the Sheriff's Office had one employee who did not receive OPERS benefits.

Cause of Condition: Procedures have not been designed to ensure all eligible employees are enrolled in OPERS.

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Effect of Condition: All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which this employee was eligible.

Management Response:

**Reba Sill, Ottawa County Clerk**

The County Clerk's Office also serves as Insurance and Retirement Benefits Coordinator for Ottawa County. We attend annual training provided by OPERS so we can better understand and manage rules established for employee eligibility. Because departments were not providing adequate information so eligibility could properly be determined, the County Clerk's Office now manages employee eligibility. For instance, if an employee begins their employment in a true "part-time" or "temporary" position, they are instructed by the County Clerk's Office to report back to them immediately if their position becomes permanent, in order to be enrolled in retirement and insurance. They do not always follow instruction. Although we make every attempt to get an employee to respond and complete the process, sometimes it is to no avail. Therefore, if an employee does not respond, we now enroll them ourselves. At that point, the only options available to them are simply what the County provides. This is not in their best interest, but we recognize that we cannot physically make an employee report to our office. At our last training seminar, one county said that they manage this problem by refusing to distribute an employee's check until they have properly enrolled. Perhaps this is a good policy to adopt.

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

**Finding 2007-11 – Schedule of Expenditures of Federal Awards**

Condition: The County has not designed and implemented procedures 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: Procedures have not been designed to comply with OMB Circular A-133 for the expenditure of federal grant funds.

Effect of Condition: The County did not comply with Circular A-133 regarding federal expenditures. The County was unable to identify the amount of federal expenditures during the fiscal year.

Recommendation: OSAI recommends Ottawa County have a policy for handling all federal grants awarded to the County. This policy could incorporate by reference applicable federal regulations to be

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followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the schedule of expenditures of federal awards be reconciled to accounting records.

Management Response:

**Reba Sill, Ottawa County Clerk**

Ottawa County will address the issue and put controls in place for maintaining adequate documentation in order to prevent this from happening in the future.

It is frustrating for all parties involved that county audits are so far behind schedule. Although many of these conditions have already been addressed, they will be listed as Repeat Findings simply because audits have yet to be conducted. To me, that seems somewhat unfair.

Auditor Response: Prior to beginning the audit, OSAI requested the Schedule of Expenditures of Federal Awards (SEFA) from the County in order to determine if an *OMB Circular A-133* audit was required. Subsequent to that request, the County gave OSAI documents for OSAI to prepare the SEFA. OSAI prepared the SEFA for the County using the documents that were provided by the County and then asked the County on numerous occasions to sign the prepared SEFA, acknowledging as to the accuracy of the document. The County refused to sign the SEFA until a meeting was held with the County on November 8, 2011.

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.

*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

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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.

**SECTION 2—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 2007-14 – Inmate Trust Account**

Condition: An examination of the inmate trust account revealed the following exceptions:

- One person was responsible for reconciling cash to receipts, posting collections to accounts, and preparing the deposit ticket.
- Collections were not deposited daily.
- Bank reconciliations were not approved by someone other than the preparer.
- There was no current contract with a vendor to run the commissary.

Cause of Condition: Procedures have not been designed to segregate accounting processes related to the Inmate Trust Fund and to make daily deposits of trust funds that would safeguard against loss or misappropriation.

Effect of Condition: These conditions could result in undetected errors, unrecorded transactions, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions. Further, the duties of reconciling cash to receipts, posting collections to accounts, and preparing the deposit ticket should be adequately segregated.

OSAI also recommends the Sheriff ensure all collections are deposited daily and bank reconciliations are reviewed and approved by someone other than the preparer. Also, each year the contract with the commissary vendor should be approved by the Board of County Commissioners.

Management Response: Management did not respond.

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Criteria: To help ensure a proper accounting of funds, receipts should be deposited daily and reconciliations should be approved by someone other than the preparer. Any contracts with vendors to run the commissary should be approved by the Board of County Commissioners. Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**Finding 2007-16 – Cash Bonds**

Condition: Our test work of cash bonds revealed the following:

- Sheriff's office did not remit all cash bonds to the Court Clerk's office. If the bond was prescribed by the courts as payment of child support, then the bond was sent to the Ottawa County Child Support Office even though a case was filed with the Ottawa County Court Clerk's Office.
- If the cash bond was received for a city bond, the bond was not receipted in and was picked up by a city representative with no documentation showing the change of custody.

Cause of Condition: Procedures have not been designed to properly account for and safeguard cash bonds.

Effect of Condition: These conditions resulted in inaccurate and incomplete records and could result in the misappropriation of funds.

Recommendation: OSAI recommends that the Sheriff establish procedures for all cash bonds be receipted, deposited, and timely remitted to the appropriate agency.

Management Response: Management did not respond.

Criteria: To help ensure a proper accounting of funds, cash bonds received by the Sheriff's office should be remitted to the Court Clerk's office in a timely manner.





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