

COUNTY AUDIT

OTTAWA COUNTY

For the fiscal year ended June 30, 2008



*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, 2008**

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Oklahoma State Auditor & Inspector

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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, 2008. 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.

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

**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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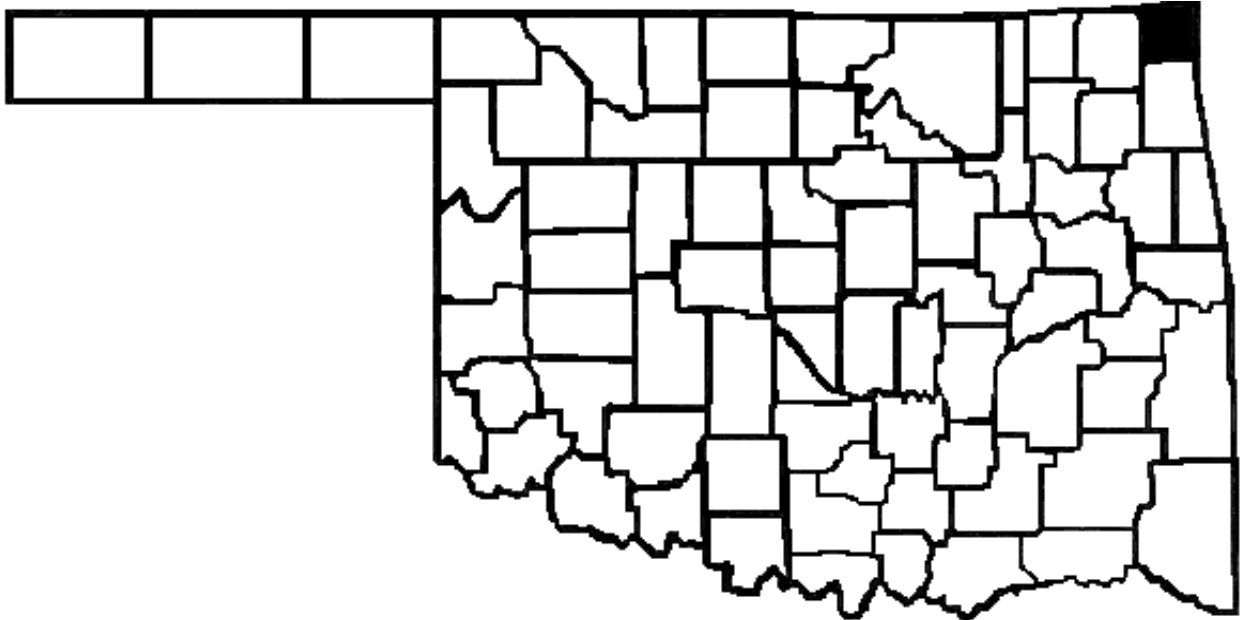
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**OTTAWA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



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 area 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, 2008**

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

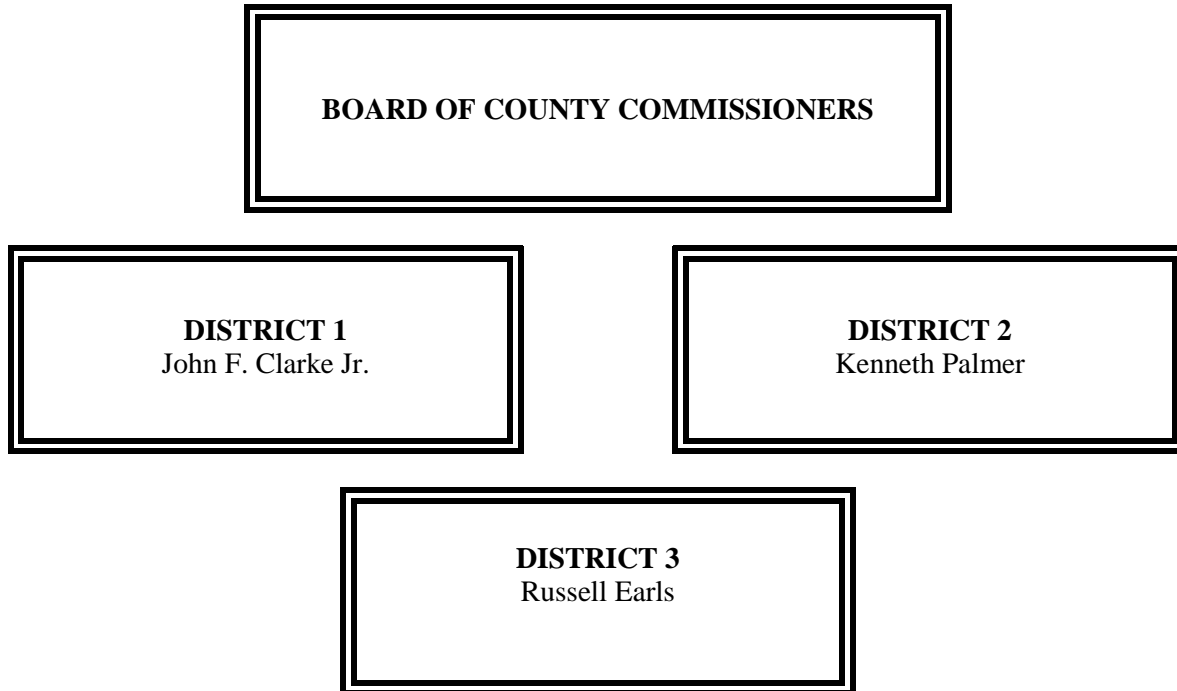
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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, 2008**



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, 2008**

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, 2008**

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, 2008**

ELECTION BOARD SECRETARY
Verna Ferris

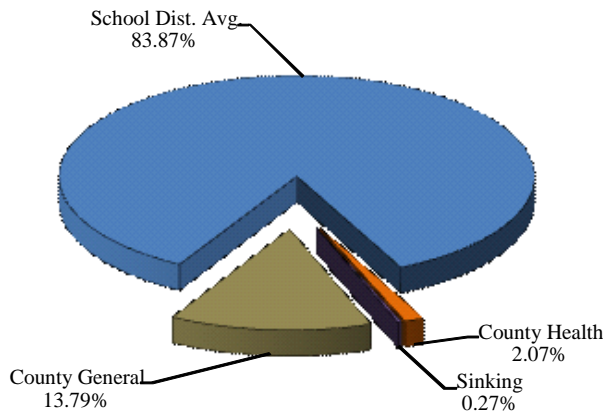
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within 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, 2008**

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	10.24	Turkey Ford	D-10	36.89	5.27	5.24		11.26	4.10	62.76
County Health	1.54	Wyandotte	I-1	36.46	5.21	11.79		11.26	4.10	68.82
County Sinking	0.20	Quapaw	I-14	35.78	5.11			11.26	4.10	56.25
<u>Cities and Towns</u>		Picher	I-15	35.81	5.12	7.67		11.26	4.10	63.96
Miami	4.84	Commercer	I-18	35.56	5.08			11.26	4.10	56.00
		Miami	I-23	35.70	5.10	4.84	3.07	11.26	4.10	64.07
		Afton	I-26	36.08	5.15			11.26	4.10	56.59
		Fairland	I-31	36.04	5.15	9.44		11.26	4.10	65.99
		Neosho Valley		35.46	5.07	16.56		11.26	4.10	72.45
		Miami	118/23	35.56	5.08			11.26	4.10	56.00

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Total net assessed value as of January 1, 2007		<u>\$ 117,596,622</u>
Debt limit - 5% of total assessed value		5,879,831
Total bonds outstanding	145,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>38,340</u>	<u>106,660</u>
Legal debt margin		<u>\$ 5,773,171</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, 2008
(UNAUDITED)**

	2008
Estimated population	32,866
Net assessed value as of January 1, 2007	\$ 117,596,622
Gross bonded debt	145,000
Less available sinking fund cash balance	38,340
Net bonded debt	\$ 106,660
Ratio of net bonded debt to assessed value	0.091%
Net bonded debt per capita	\$ 3.25

See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	25,218,702	15,864,921	84,203,794	7,690,795	\$ 117,596,622	1,031,549,316

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, 2008, 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, 2008, 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, 2008, 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. 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 basic financial statement. The schedule of expenditures of federal awards has not been subjected to the auditing procedures applied in the audit of the basic financial statement because management lacks sufficient documentation to support the schedule of expenditures of federal awards for the Disaster Grants – Public Assistance (97.036), and, accordingly, we express no opinion on the schedule of expenditures of federal awards. The other supplementary information, as listed in the table of contents, which includes the combining information referred to above, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The other 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", with a long horizontal flourish extending to the right.

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, 2008**

	Beginning Cash Balances <u>July 1, 2007</u>	Receipts Apportioned	Disbursements	Ending Cash Balances <u>June 30, 2008</u>
Combining Information:				
County General	\$ 762,444	\$ 3,305,213	\$ 2,916,423	\$ 1,151,234
County Sales Tax	57,462	2,209	10,151	49,520
County Health	157,292	227,156	229,275	155,173
Highway Cash	1,119,579	2,673,764	2,531,382	1,261,961
Highway 1/2 Cent Sales Tax	1,047,347	1,240,999	1,283,544	1,004,802
District 1 DEQ Settlement	142,792	1,512	126,260	18,044
Resale	67,682	87,160	75,628	79,214
Sheriff Service Fee	44,798	350,326	242,714	152,410
Sheriff DARE	161			161
Sheriff DFCF	681			681
County Clerk Lien Fee	16,830	11,013	14,354	13,489
County Treasurer Mortgage Certification Fee	10,859	8,790	8,489	11,160
County Clerk Preservation	25,781	38,636	24,773	39,644
MIDA Rawlings Sinking	38,196	24,294	24,150	38,340
Sheriff Commissary	9,413	72,964	67,949	14,428
Sheriff Drug Buy	2,750			2,750
Sheriff Bond Fee	2,621	18,027	8,803	11,845
Child Abuse Prevention	5,898	737	254	6,381
Firefighters Sales Tax	172,985	307,945	301,661	179,269
Board of Prisoners	101,062	503,757	523,803	81,016
County Assessor Revolving	16,804	3,585	4,048	16,341
Insurance Recovery Cash Fund	8			8
Harbors REAP		40,000	40,000	
Combined Total-- All County Funds	<u>\$ 3,803,445</u>	<u>\$ 8,918,087</u>	<u>\$ 8,433,661</u>	<u>\$ 4,287,871</u>

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, 2008**

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, 2008**

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 DFCF – 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, 2008**

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.

Harbors REAP – The receipt and disbursement of state grant funds.

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, 2008**

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:

First Year	40 hours	3.333 hours per month
Second Through Fourth Year	80 hours	6.666 hours per month

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2007, was approximately \$117,596,622.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.24 mills for general fund operations, 1.54 mills for county health department, and 0.20 mills for sinking fund. In addition, the County collects the ad valorem taxes assessed by

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

Current year tax collections for the year ended June 30, 2008, were approximately 92.61 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.

General Obligation Bonds

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2006, principal payments of \$15,000 and interest payments of \$9,150 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
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
Total	\$ 145,000	\$ 42,150	\$ 187,150

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.

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 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$356,354, \$319,649, and \$306,698, 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.

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.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008

	General Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 762,444	\$ 762,444	\$ -
Less: Prior Year Outstanding Warrants	(75,961)	(75,961)	
Less: Prior Year Encumbrances	(23,941)	(23,901)	40
Beginning Cash Balances, Budgetary Basis	<u>662,542</u>	<u>662,582</u>	<u>40</u>
Receipts:			
Ad Valorem Taxes	1,104,943	1,141,246	36,303
Charges for Services	357,494	438,137	80,643
Intergovernmental Revenues	821,647	581,468	(240,179)
Sales Tax	906,071	978,793	72,722
Miscellaneous Revenues	28,163	165,569	137,406
Total Receipts, Budgetary Basis	<u>3,218,318</u>	<u>3,305,213</u>	<u>86,895</u>
Expenditures:			
District Attorney	4,000	3,278	722
County Sheriff	1,038,043	1,038,014	29
County Treasurer	157,437	156,361	1,076
County Commissioners	40,075	32,851	7,224
OSU Extension	53,320	53,309	11
County Clerk	266,492	266,315	177
Court Clerk	501,764	500,937	827
County Assessor	162,427	162,342	85
Revaluation of Real Property	117,197	117,192	5
General Government	1,318,200	898,571	419,629
Excise-Equalization Board	2,588	2,233	355
County Election Board	125,984	125,583	401
Civil Defense	54,383	46,381	8,002
County Audit Budget Account	24,450	13,898	10,552

continued on next page

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—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

continued from previous page

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
County Cemetery Account	1,000	250	750
Free Fair Budget	9,500	9,414	86
Provision for Interest on Warrants	4,000	21	3,979
 Total Expenditures, Budgetary Basis	 <u>3,880,860</u>	 <u>3,426,950</u>	 <u>453,882</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 540,845	 <u>\$ 540,845</u>
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		471,369	
Add: Current Year Outstanding Warrants		<u>139,020</u>	
Ending Cash Balance		<u>\$ 1,151,234</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, 2008

	County Health Department Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 157,292	\$ 157,292	\$ -
Less: Prior Year Outstanding Warrants	(2,552)	(2,552)	
Less: Prior Year Encumbrances	(86,504)	(86,425)	79
Beginning Cash Balances, Budgetary Basis	<u>68,236</u>	<u>68,315</u>	<u>79</u>
Receipts:			
Ad Valorem Taxes	164,636	171,617	6,981
Miscellaneous Revenues	48,028	55,539	7,511
Total Receipts, Budgetary Basis	<u>212,664</u>	<u>227,156</u>	<u>14,492</u>
Expenditures:			
Health and Welfare	252,840	175,768	77,072
Capital Outlay	28,060	22,325	5,735
Total Expenditures, Budgetary Basis	<u>280,900</u>	<u>198,093</u>	<u>82,807</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	97,378	<u>\$ 97,378</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		36,630	
Add: Current Year Outstanding Warrants		21,165	
Ending Cash Balance		<u>\$ 155,173</u>	

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, 2008**

Beginning Cash Balance	<u>\$ 38,196</u>
Receipts:	
Ad Valorem Tax	22,380
Interest	<u>1,914</u>
Total Receipts	<u>24,294</u>
Disbursements:	
Principal - G.O. Bonds	15,000
Interest on Bonds	<u>9,150</u>
Total Disbursements	<u>24,150</u>
Ending Cash Balance	<u><u>\$ 38,340</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, 2008**

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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA Disaster #1712	\$ 155,540
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA Disaster #1735	570,704
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA Disaster #1754	95,026
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA Disaster #1775	67,998
Total U.S. Department of Homeland Security			<u>889,268</u>
Total Expenditures of Federal Awards			<u>\$ 889,268</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**OTTAWA COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Ottawa 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*.

See independent auditor's report.

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
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, 2008, 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 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. 2008-7, 2008-9

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 questioned costs to be significant deficiencies in internal control over financial reporting. 2008-2, 2008-3, 2008-5, 2008-8, 2008-10

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2008-7.

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

Ottawa 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 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

April 17, 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
OTTAWA COUNTY, OKLAHOMA

Compliance

We were engaged to audit the compliance of Ottawa 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 Ottawa County's major federal program for the year ended June 30, 2008. Ottawa 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 Ottawa County's management.

As described in item 2008-12, in the accompanying schedule of findings and questioned costs, Ottawa County did not comply with relevant OMB Circular A-133 Compliance Requirements to its Disaster Grants – Public Assistance (97.036). Ottawa County did not maintain documentation to support costs charged to the program: County was unable to support the work performed with detailed documentation which should have included purchase orders, invoices, and transfer documents to verify materials used; timesheets for the labor charged to the project; and a record of equipment usage. Without the detailed supporting documentation, there was no assurance that the work had been completed or that expenditures were expended in accordance with federal compliance requirements.

We were unable to obtain sufficient documentation supporting the compliance of Ottawa County with the relevant OMB Circular A-133 Compliance Requirements for the program *Disaster Grants – Public Assistance (97.036)*, nor were we able to satisfy ourselves as to Ottawa County's compliance with those requirements by other auditing procedures. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on Ottawa County's compliance with requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to its major federal program.

Internal Control Over Compliance

Management of Ottawa 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 Ottawa 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 Ottawa County's internal control over compliance. Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-11 and 2008-12 to be material weaknesses.

Ottawa 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 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, 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

April 17, 2012

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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?..... Yes
- Significant deficiency(ies) identified? No

Type of auditor's report issued on
compliance for major programs: Disclaimer of opinion

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

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 2008-2 – Reconciliations (Repeat Finding)

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 2008-3 – Backup Tapes, Disaster Recovery Plans, and Computer Usage Policies (Repeat Finding)

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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 QUESTIONED COSTS
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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 2008-5 - Bank Account not on General Ledger (Repeat Finding)

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, 2008.

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...

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Finding 2008-7 – Sales Tax (Repeat Finding)

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 2008 sales tax split among the different entities, we noted the fire departments received \$78,080 and the courthouse received \$195,201 more than, and the Sheriff and the Highways each received \$136,641 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.

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 2008-8 – Payroll (Repeat Finding)

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 two of 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.
- Annual, sick, and compensation records for the Court Clerk's employees denotes usage but does not show accruals or balances.
- Insurance deductions did not agree with documentation in 10 of the 14 employee files tested.

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- Pay scale documentation or employee status change forms were not present to denote pay for the time period audited for 15 of the 17 employee files selected.
- Time records were not available for three employees (one highway and two board of prisoner).
- Time records are not maintained for the safety director.
- Annual, sick, and compensatory time records were not complete for two highway employees.
- 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.

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

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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.

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.

Auditor Response: During our test work there was no documentation in the file to support the amount paid to 15 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.

Finding 2008-9 – Segregation of Duties – Payroll (Repeat Finding)

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.

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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 2008-10 – OPERS Benefits (Repeat Finding)

Condition: OSAI noted one employee in the Sheriff's Office and the Safety Director did not receive OPERS benefits.

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

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 these employees were 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.

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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.

SECTION 3—Findings related to the 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 2008-11 – 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: 1712, 1735, 1754, and 1775

FEDERAL AWARD YEAR: 2008

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

QUESTIONED COSTS: \$-0-

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 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.

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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 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.

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Finding 2008-12 – FEMA Files – Documentation of Federal Expenditures

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, 1735, 1754, and 1775

FEDERAL AWARD YEAR: 2008

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

QUESTIONED COSTS: \$611,991.72

Condition: Districts 1, 2, and 3 were unable to provide adequate documentation to support the federal monies disbursed on disasters 1712, 1735, 1754, and 1775. Of the \$611,991.72 in questioned costs, \$101,622.48 was for disaster 1712, \$413,202.33 was for disaster 1735, \$36,891.62 was for disaster 1754, and \$60,275.29 was for disaster 1775.

Cause of Condition: The County has not designed procedures to comply with OMB Circular A-133 which requires the County to maintain documentation of all expenditures of federal funds.

Effect of Condition: The County did not comply with OMB Circular A-133. Because documentation was not maintained to support expenditures, OSAI could not issue an opinion regarding compliance with grant requirements.

Recommendation: OSAI recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with OMB Circular A-133's Compliance Requirements and OMB Circular A-87.

Management Response:

Commissioner Gary Wyrick, District 2

I was not in office at the time regarding the audit of 2008. We have had three qualified disasters since 2009. We document the force account labor, force account equipment, materials (purchased and donated), work completed and copies of all paper work left by the FEMA Project Specialist. We have the disaster register, project worksheet register and receipt and disbursement documents. We are doing our best to maintain accurate records of all events and expenditures related to each.

Criteria: OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - j. Be adequately documented.

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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 in part:

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements...the schedule shall:

(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

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 Consideration 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 record of donated goods and services, if any.

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 2008-15 – Inmate Trust Account (Repeat Finding)

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 reviewed and approved by someone other than the preparer.
- There was no current contract with a vendor to run the commissary.

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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.

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 2008-16 – Cash Bonds (Repeat Finding)

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.

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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.

Finding 2008-17 – Consumable Inventories

Condition: Our test work of consumable inventories revealed the following:

- District 1 and District 3 are not maintaining adequate consumable inventory records.
- District 1 and District 3 are not preparing transfer documents.
- District 3 is not reconciling fuel balances to consumable records.

Cause of Condition: The County has not implemented procedures for maintaining adequate inventory records over consumable inventories.

Effect of Condition: This condition resulted in inaccurate and incomplete records and could result in the misappropriation of county inventories.

Recommendation: OSAI recommends all Districts maintain the appropriate documents to maintain a complete, continuous inventory. OSAI recommends the use of the reports to help ensure that the items are accounted for. Consumable stock cards, transfer cards, fuel logs, warehouse summaries, and monthly reports should be maintained. It is important that all information on these sheets be monitored and compared to items on hand. This includes reconciling the items on hand to the documents maintained.

Management Response: Management did not respond.

Criteria: Title 19 O.S. § 1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges.



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