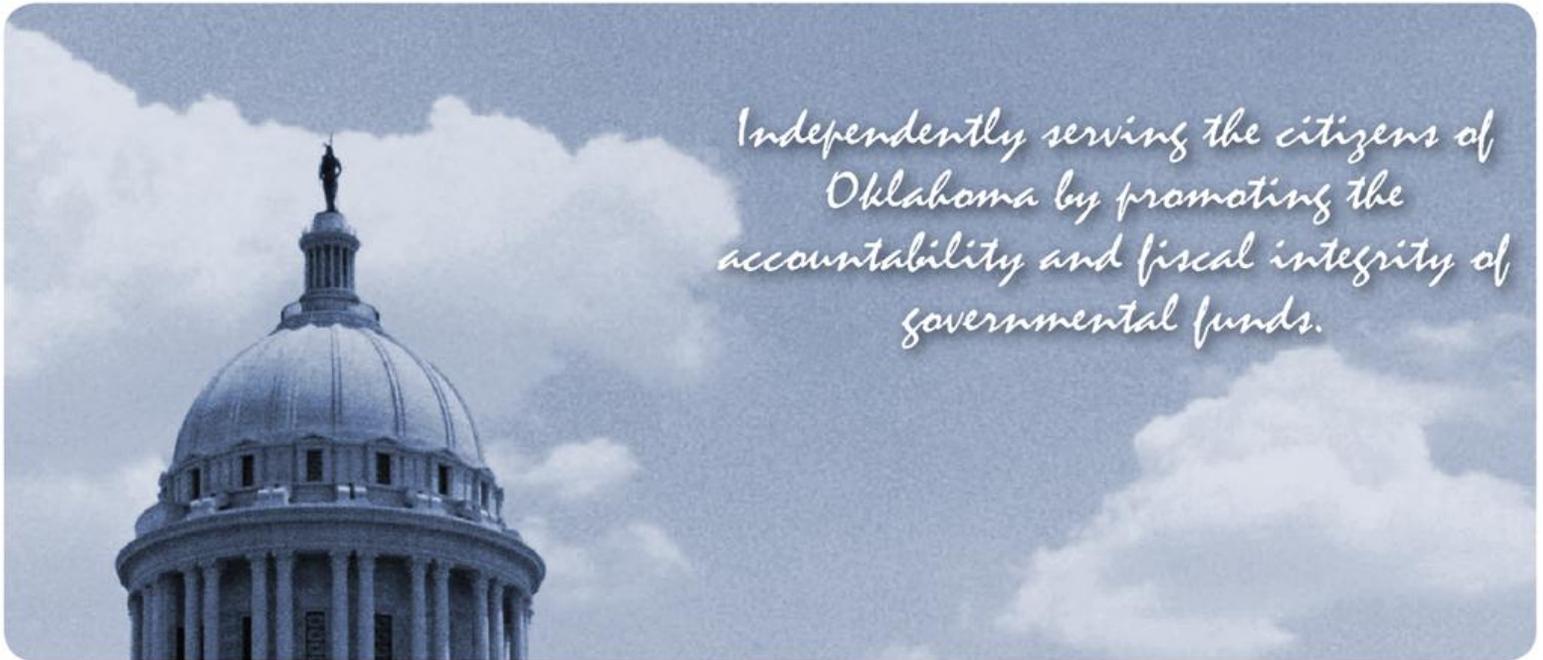


COUNTY AUDIT

OTTAWA COUNTY

For the fiscal year ended June 30, 2010



*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, 2010**

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) 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 1, 2014

TO THE CITIZENS OF
OTTAWA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Ottawa County, Oklahoma for the fiscal year ended June 30, 2010. 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".

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

**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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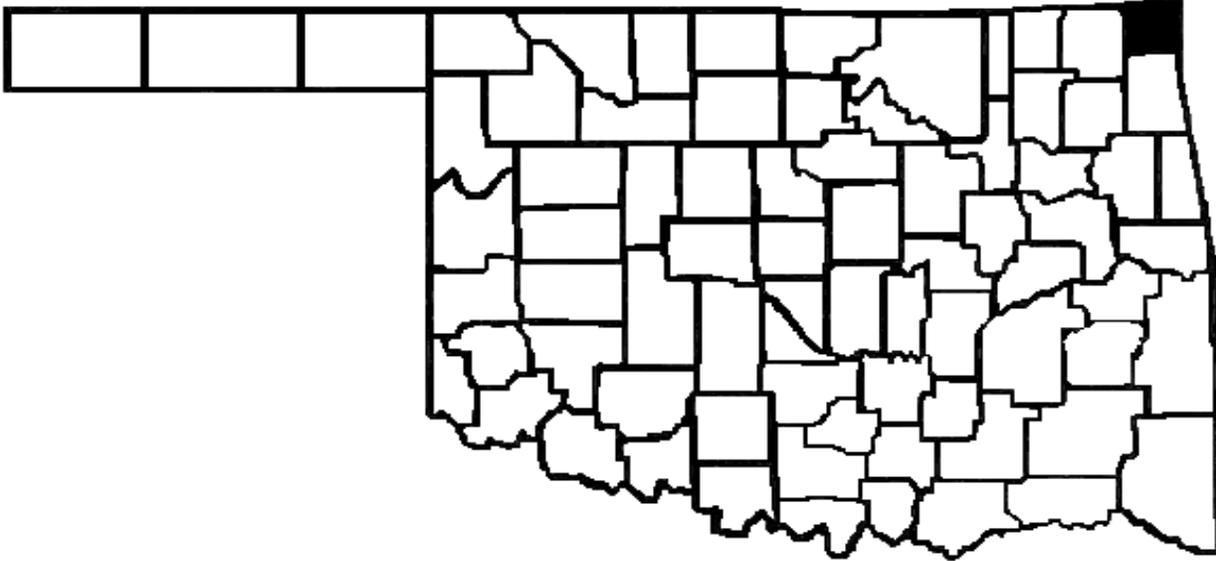
**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**OTTAWA COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



The extreme northeastern county of Oklahoma, bordering Kansas and Missouri, is named for the Ottawa Indians. But Ottawa comes from the Algonquian term adawe, meaning to “buy and sell.” This county has been the home to members of a greater number of Indian tribes than any other country 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, and the rest from such crops as wheat, corn, grain, sorghums, soybeans, and grass. The early existence of a vast lead and zinc field is evident from huge mountains of chat still present in the northern part of the country.

Northeastern Oklahoma A&M College is located at Miami, the county seat. Industries in the county include clothing, furniture, boat, metal and leather manufacturing, mushroom cultivation, and concrete and block production.

Two books, Pictorial Reflections of Ottawa County and History of Ottawa County, have been written about the county. For additional information, contact the Ottawa County Historical Society or call the County Clerk’s office at 918/542-3332.

County Seat – Miami

Area – 484.73 Square Miles

County Population – 32,474
(2007 est.)

Farms – 1,160

Land in Farms – 237,986 Acres

Primary Source: Oklahoma Almanac 2009-2010

Board of County Commissioners

District 1 – John Clarke
District 2 – Gary Wyrick
District 3 – Russell Earls

County Assessor

Linda Kelly

County Clerk

Reba Sill

County Sheriff

Terry Durborow

County Treasurer

Elizabeth Sly

Court Clerk

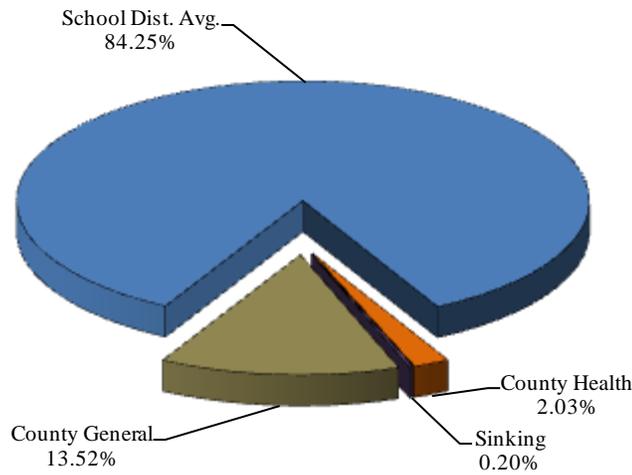
Cathy Williams

District Attorney

Eddie Wyant

**OTTAWA COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

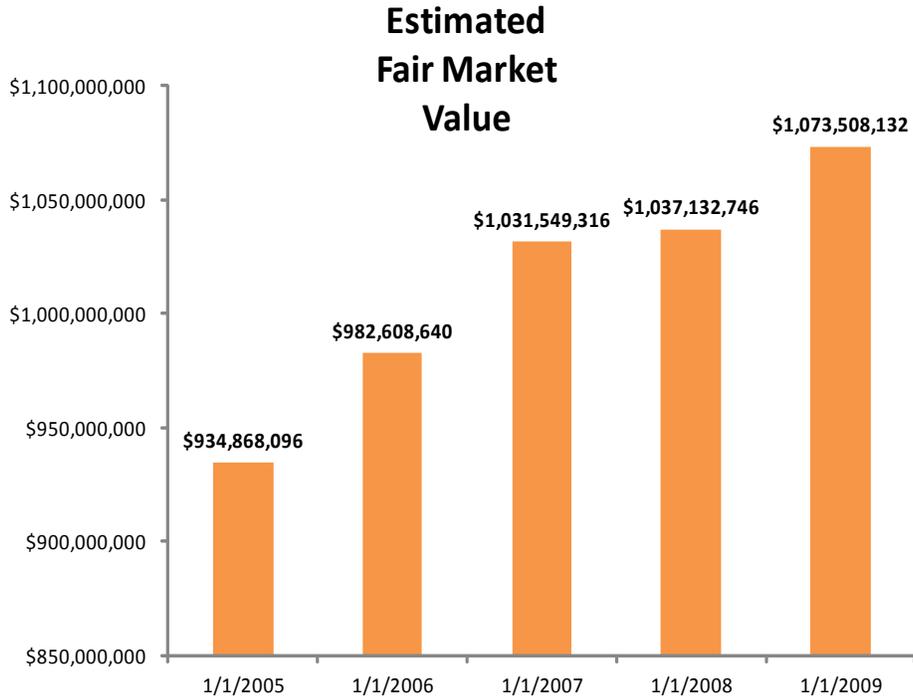
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Career Tech	Common	Total
County General	10.24								
County Health	1.54	Turkey Ford	D-10	36.89	5.27	4.11	11.26	4.10	61.63
County Sinking	0.19	Wyandotte	I-1	36.46	5.21	9.26	11.26	4.10	66.29
		Quapaw	I-14	35.78	5.11	-	11.26	4.10	56.25
		Commerce	I-18	35.56	5.08	-	11.26	4.10	56.00
Other									
Miami (City)	4.6	Miami	I-23	35.70	5.10	12.67	11.26	4.10	68.83
Miami School District 23 EMS	3.07	Afton	I-26	36.08	5.15	-	11.26	4.10	56.59
		Fairland	I-31	36.04	5.15	13.57	11.26	4.10	70.12
		Neosho Valley	I-17	35.46	5.07	15.91	11.26	4.10	71.80

**OTTAWA COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

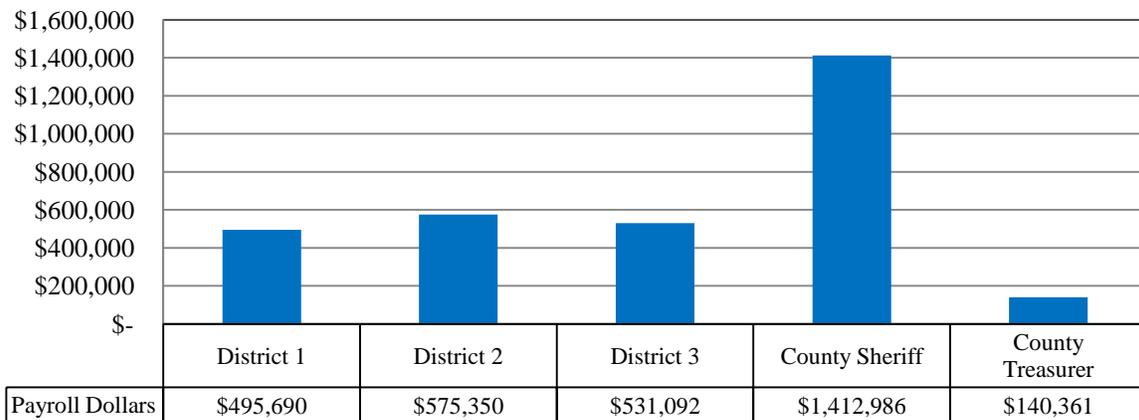
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$23,624,031	\$15,783,508	\$90,754,875	\$7,782,487	\$122,379,927	\$1,073,508,132
1/1/2008	\$23,282,161	\$14,684,431	\$87,923,743	\$7,657,202	\$118,233,133	\$1,037,132,746
1/1/2007	\$25,218,702	\$15,864,921	\$84,203,794	\$7,690,795	\$117,596,622	\$1,031,549,316
1/1/2006	\$22,408,958	\$16,325,802	\$80,477,394	\$7,194,769	\$112,017,385	\$982,608,640
1/1/2005	\$21,062,305	\$15,447,928	\$77,509,545	\$7,444,815	\$106,574,963	\$934,868,096



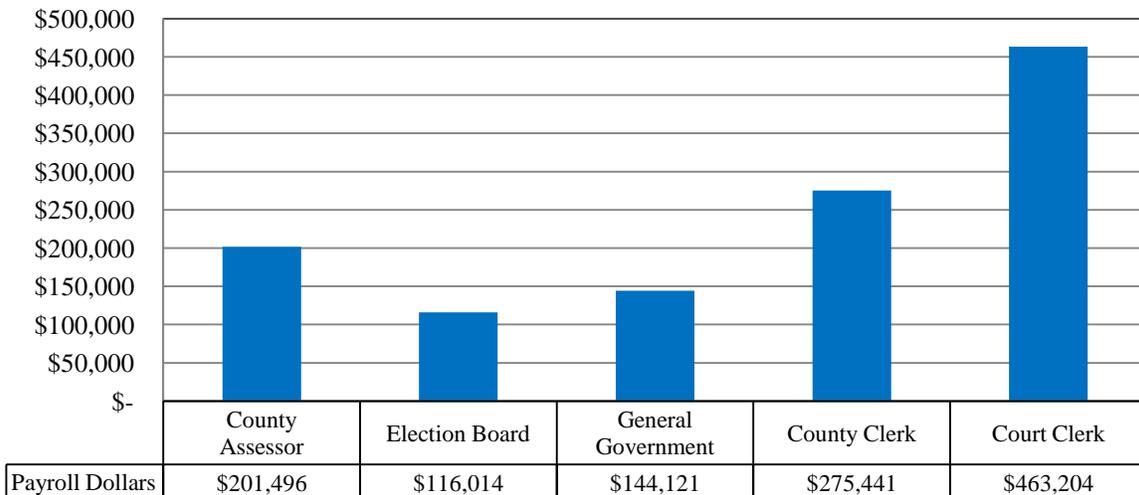
**OTTAWA COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2010.

Payroll Expenditures by Department



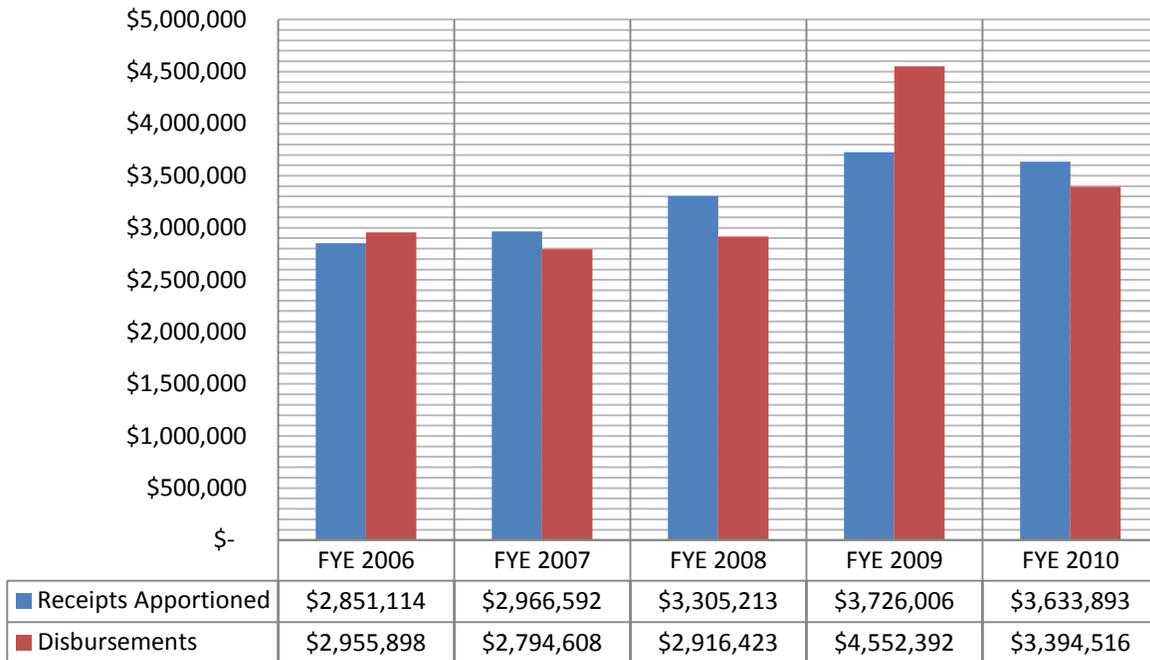
Payroll Expenditures by Department



**OTTAWA COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County General Fund

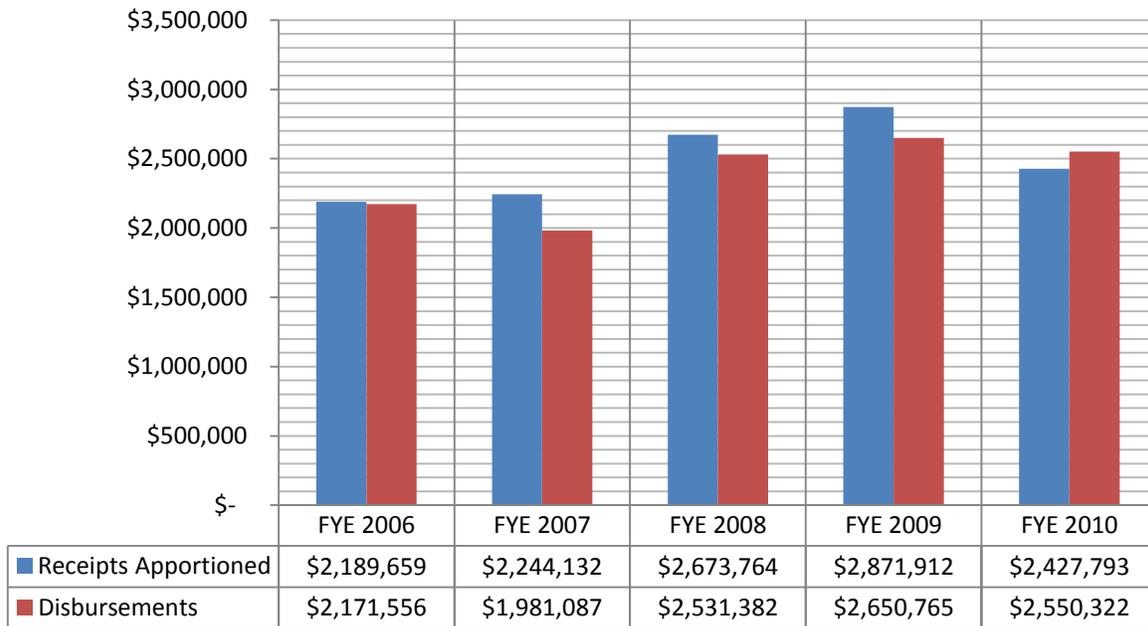
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**OTTAWA COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
OTTAWA COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Ottawa County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Ottawa County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Ottawa County as of June 30, 2010, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Ottawa County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, 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 county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

April 28, 2014

REGULATORY BASIS FINANCIAL STATEMENT

OTTAWA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:				
Major Funds:				
County General Fund	\$ 324,848	\$ 3,633,893	\$ 3,394,516	\$ 564,225
County Sales Tax	1,882	6	-	1,888
County Health	122,684	232,701	208,955	146,430
BIA/Highway	4,566,776	57,695	72,985	4,551,486
Highway	1,483,108	2,427,793	2,550,322	1,360,579
Highway 1/2 Cent Sales Tax	1,564,543	1,318,505	1,939,397	943,651
Courthouse Building Authority Sales Tax	401,448	577,510	864,564	114,394
MIDA Rawlins Sinking	38,851	19,332	22,351	35,832
Firefighters Sales Tax	243,644	222,557	228,101	238,100
Board of Prisoners	139,429	598,053	513,575	223,907
Severe Repetitive Loss Grant	-	785,009	717,510	67,499
Remaining Aggregate Funds	125,640	845,251	579,656	391,235
Combined Total - All County Funds	\$ 9,012,853	\$ 10,718,305	\$ 11,091,932	\$ 8,639,226

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, 2010**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

County General Fund – 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.

BIA/Highway – revenues are from the Bureau of Indian Affairs (BIA) for multiple county road projects in District 2.

Highway – 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, 2010**

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

Courthouse Building Authority Sales Tax – revenues are from a county sales tax. Disbursements are for the County Courthouse facilities and to pay the principal and interest on indebtedness on behalf of the County by the Ottawa County Governmental Building Authority.

MIDA Rawlins 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.

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

Severe Repetitive Loss Grant – revenues are from a Hazard Mitigation grant. Disbursements are used to buyout subdivision for flooding loss.

C. Basis of Accounting

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

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

D. Budget

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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.

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 and Investments

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

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

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

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

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

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

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

D. Long Term Obligations

1. General Obligation Bonds

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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	Original Amount
Ottawa County General Obligation Bonds of 1987				6.00%	\$400,000
Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year	
\$130,000	\$ -0-	\$15,000	\$115,000	\$15,000	

During fiscal year 2010, payments included \$15,000 for principal and \$7,351 for interest.

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
2011	\$ 15,000	\$ 6,900	\$ 21,900
2012	15,000	6,000	21,000
2013	15,000	5,100	20,100
2014	15,000	4,200	19,200
2015-2017	55,000	7,800	62,800
Total	\$115,000	\$30,000	\$145,000

E. 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 General Fund for the operation of the Sheriff's Department.

On November 3, 1998, Ottawa County voters approved a permanent on-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 ½ Cent Sales Tax fund for the designated purpose.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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. The one-tenth of one percent sales tax is apportioned to the Firefighters Sales Tax fund for the designated purpose.

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 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. The one-fourth of one percent sales tax is apportioned to the Courthouse Building Authority fund for the designated purpose.

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, 2010

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 324,848	\$ 324,848	\$ -
Less: Prior Year Outstanding Warrants	(169,542)	(169,542)	-
Less: Prior Year Reserves	(11,314)	(9,298)	2,016
Add: Estopped Warrants	-	611	611
Beginning Cash Balances, Budgetary Basis	<u>143,992</u>	<u>146,619</u>	<u>2,627</u>
Receipts:			
Ad Valorem Taxes	1,139,237	1,235,640	96,403
Charges for Services	376,540	309,157	(67,383)
Intergovernmental Revenues	871,980	595,143	(276,837)
Sales Tax	1,032,947	1,098,448	65,501
Miscellaneous Revenues	41,091	395,505	354,414
Total Receipts, Budgetary Basis	<u>3,461,795</u>	<u>3,633,893</u>	<u>172,098</u>
Expenditures:			
District Attorney	4,000	255	3,745
County Sheriff	1,209,088	1,208,578	510
Capital Outlay	85,485	85,485	-
County Treasurer	171,921	139,137	32,784
County Commissioners	36,252	33,233	3,019
OSU Extension	55,513	54,836	677
County Clerk	278,809	278,218	591
Court Clerk	423,113	422,006	1,107
County Assessor	171,120	155,091	16,029
Revaluation of Real Property	118,174	118,140	34
General Government	486,892	463,327	23,565
Capital Outlay	270,605	157,624	112,981
Excise-Equalization Board	2,438	2,218	220
County Election Board	129,837	125,650	4,187
Capital Outlay	4,396	1,396	3,000
Emergency Management	71,237	64,562	6,675
Capital Outlay	32,750	27,127	5,623
County Cemetary	500	11	489
Free Fair	9,500	9,459	41
County Audit Budget Account	36,157	-	36,157
Provisions for interest on warrants	8,000	9,820	(1,820)
Total Expenditures, Budgetary Basis	<u>3,605,787</u>	<u>3,356,173</u>	<u>249,614</u>

Continued on next page

**OTTAWA COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>		
Continued from previous page	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	424,339	<u>\$ 424,339</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		8,875	
Add: Current Year Outstanding Warrants		<u>131,011</u>	
Ending Cash Balance		<u>\$ 564,225</u>	

**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, 2010**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 122,684	\$ 122,684	\$ -
Less: Prior Year Outstanding Warrants	(21,880)	(21,879)	1
Less: Prior Year Encumbrances	(18,695)	(18,613)	82
Beginning Cash Balances, Budgetary Basis	82,109	82,192	83
Receipts:			
Ad Valorem Taxes	171,331	185,827	14,496
Miscellaneous Revenues	41,891	46,874	4,983
Total Receipts, Budgetary Basis	213,222	232,701	19,479
Expenditures:			
Health and Welfare	265,331	175,962	89,369
Capital Outlay	30,000	6,350	23,650
Total Expenditures, Budgetary Basis	295,331	182,312	113,019
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	132,581	\$ 132,581
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		5,670	
Add: Current Year Outstanding Warrants		8,179	
Ending Cash Balance		\$ 146,430	

OTTAWA COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:				
District 1 D.E.Q. Settlement	\$ 12,216	\$ -	\$ 12,216	\$ -
Resale	41,814	173,933	95,013	120,734
Sheriff Service Fee	100,382	324,639	255,292	169,729
Sheriff DARE	161	-	-	161
Sheriff DFCF	681	12,239	12,857	63
County Clerk Lien Fee	5,923	10,649	6,125	10,447
County Treasurer Mortgage Certificate Fee	6,935	5,688	8,085	4,538
County Clerk Records Preservation	20,456	31,865	33,163	19,158
CDBG RWD6	(113,102)	176,744	63,642	-
Sheriff Commissary	13,176	61,469	52,645	22,000
Sheriff Drug Buy	1,250	3,000	4,000	250
Sheriff Bond Fee	13,080	22,687	14,974	20,793
Child Abuse Prevention	7,248	96	182	7,162
County Assessor Revolving	15,412	3,542	2,762	16,192
Insurance Recovery Cash Fund	8	-	-	8
Repetitive Flood Claims Grant (RFC)	-	18,700	18,700	-
Combined Total - Remaining Aggregate Funds	\$ 125,640	\$ 845,251	\$ 579,656	\$ 391,235

**OTTAWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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. Remaining County Funds

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

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

Resale – revenues are from interest and penalties on ad valorem taxes paid late plus sale of county property. 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 Certificate Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the County Treasurer's office.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

CDBG RWD6 – accounts for federal and state funding to replace water lines in Rural Water District 6.

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 jury donations and interest earnings. Disbursements are for child abuse prevention.

County Assessor Revolving – revenues are from any and all fees collected by the County Assessor plus interest earnings. 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.

Repetitive Flood Claims Grant (RFC) – revenues are from the County's Hazard Mitigation Grant. Disbursements are for qualifying participants in Ottawa County with repetitively sustained flood damage to their property.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CDBG 12883	\$ 63,642
Total U.S. Department of Housing and Urban Development			<u>63,642</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Grant:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		18,543
Total U.S. Department of Justice			<u>18,543</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1876, DR-1883	575,798
Hazard Mitigation Grant	97.039	SRL-PJ-06 OK-2008-011	703,465
Hazard Mitigation Grant	97.039	RFC-PJ-06 OK-2009-002	18,729
Emergency Management Preparedness Grants	97.042		10,000
Total U.S. Department of Homeland Security			<u>1,307,992</u>
Total Expenditures of Federal Awards			<u>\$ 1,390,177</u>

**OTTAWA COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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*.

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, 2010, 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 28, 2014. 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. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2010, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-01 and 2010-02.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to the management of Ottawa County, which is included in Section 2 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.



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

April 28, 2014



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 Auditors 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 have audited 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, 2010. Ottawa County's major federal programs are 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 programs is the responsibility of Ottawa County's management. Our responsibility is to express an opinion on Ottawa County's compliance based on our audit.

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

In our opinion, Ottawa County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-3.

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 and other deficiencies that we consider to be significant deficiencies.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-4 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as item 2010-3 to be a significant deficiency.

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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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

April 28, 2014

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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? No

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant

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, 2010**

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 2010-01 – Inadequate Segregation of Duties Over the Collection Process – County Treasurer (Repeat Finding)

Condition: The following weaknesses were noted regarding the collection process:

- The duties of issuing receipts, voiding receipts, accepting cash, reconciling the cash drawer and preparing the deposit were not adequately segregated within the County Treasurer's office which is the office primarily responsible for safeguarding collections.

Cause of Condition: Procedures with regard to segregating the duties over the payroll process has not been designed due to the officials being unaware of the necessity of such procedures.

Effect of Condition: A single person having responsibility for more than area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriations of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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 approve accounting functions.

Management Response:

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

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud and accurate time and payroll records should be maintained, reviewed, and retained. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2010-02 – Inadequate Segregation of Duties and Internal Controls Over the Collection Process (Repeat Finding)

Condition: The following weaknesses were noted regarding the collection process:

- The duties of issuing receipts, voiding receipts, accepting cash, reconciling the cash drawer and preparing the deposit were not adequately segregated within the County Treasurer's office which is the office primarily responsible for safeguarding collections.

Cause of Condition: Procedures have not been designed and implemented with regard to segregating the duties over all aspects of the receipting process and cash balances process due to officials being unaware of the need for such procedures.

Effect of Condition: A single person having responsibility for more than area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriations of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibility in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in managements overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Treasurer: The County does not have enough funding to properly segregate all functions within the Treasurer's office. We will implement compensating controls to mitigate the risks involved with a concentration of duties. This will include maintaining documentation where receipts are reconciled to deposits, and an independent verification of all reconciliations.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Finding 2010-03 – Inadequate Internal Controls Over Compliance Requirement – Procurement and Suspension and Debarment – Hazard Mitigation Grant

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.039

FEDERAL PROGRAM NAME: Hazard Mitigation Grant

FEDERAL AWARD NUMBER: 1355

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$0

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

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

Effect of Condition: This condition resulted in noncompliance with federal grant compliance requirements. Further, Ottawa County may be liable for any Federal Awards received for reimbursement of a vendor who is debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency.

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

Management Response:

Board of County Commissioners: Now that we are aware of the requirement, we have made it a practice to prepare a List of Preferred Vendors for federal funds and check their qualifications @ www.epls.gov at the beginning of each fiscal year.

Criteria: Federal A-133 Compliance Supplement Part Three states in part: “...*entities are prohibited from contracting with or making sub awards under covered transactions to parties that are suspended or debarred...*”

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Finding 2010-04 – Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards
- Disaster Grants - Public Assistance (Presidentially Declared Disasters)**

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1876, DR-1883

FEDERAL AWARD YEAR: 2008, 2009, 2010

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: During our audit we identified federal programs that were not listed accurately on the County's Statement of Expenditures of Federal Awards (SEFA). Federal program 97.036, Disaster 1876 actual expenditures were \$524,113 and the County reported \$260,826. The County under reported the expenditures for Disaster 1876 by \$263,287. Federal program 97.036, Disaster 1883 actual expenditures were \$51,685 and the County reported \$55,751. The County over reported the expenditures by \$4,066.

Cause of Condition: Ottawa County District's 1, 2, and 3 did not provide the County Clerk's office with accurate FEMA expenditures for fiscal year 2010. The County Clerk is specifically assigned to keep accurate records of federal awards received or expended by the County. Without accurate expenditures from the Districts' the County Clerk cannot create an accurate Statement of Expenditures of Federal Awards.

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

Recommendation: We recommend that the Ottawa County Board of County Commissioners assign someone from each District the responsibility of keeping accurate records of federal awards received and expended and to provide these expenditures to the County Clerk's office.

Management Response:

Board of County Commissioner's: We will ensure that proper documentation will be supplied to the County Clerk to accurately complete the County's Schedule of Expenditures of Federal Awards.

County Clerk: Each County Commissioner's Secretary has been made aware of the importance of supplying the Ottawa County Clerk's Office with accurate records of federal funds received and expended. Without accurate numbers it is impossible for the County Clerk's office to properly complete the SEFA.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Criteria: *OMB Circular A-133* §__.300 (a)(b) states that the auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Federal program and award identification shall include, as applicable the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(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.

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

Finding 2010-05—Signature Stamps – Court Clerk (Repeat Finding)

Condition: Upon inquiry and observation, it was noted that the Ottawa County District Judge’s signature stamp is maintained and used by the Court Clerk’s office.

Cause of Condition: Procedures have not been designed to ensure signature stamps are used only by the owner.

Effect of Condition: This condition could result in clerical errors that are not detected in a timely manner, and/or misappropriation of funds. In addition, unauthorized use of the signature stamps could result in improper authorizations, and checks being fraudulently issued.

Recommendation: OSAI recommends signature stamps be used only by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

Court Clerk: We only use the Judge’s stamp when the original documents are signed by the Judge. The stamp is used on the Attorney’s copies only. The Judge does not sign the copies because at times there are too many copies. To resolve this matter we are giving the Judge’s signature stamp to the bailiff.

Auditor Response: Signature stamps should be used only by the official and adequately safeguarded from unauthorized use.

Criteria: An aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized access, authorization, acquisition, use, or disposition of the entity’s assets and safeguard assets from loss, damage, or misappropriation.

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2008-11 – Schedule of Expenditures of Federal Awards (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1712, DR-1735, DR-1754, DR-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-

FINDING SUMMARY: 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.

STATUS: Finding 2008-11 was not corrected, and resulted in similar finding 2010-4

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

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1712, DR-1735, DR-1754, DR-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

FINDING SUMMARY: 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.

STATUS: The County has taken steps to correct this issue. There were no findings of this nature noted in current year testing. Also, the federal agency or pass-through entity is not currently following up with the auditee on the audit finding, and a management decision was not issued by the federal agency or the pass-through entity.



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