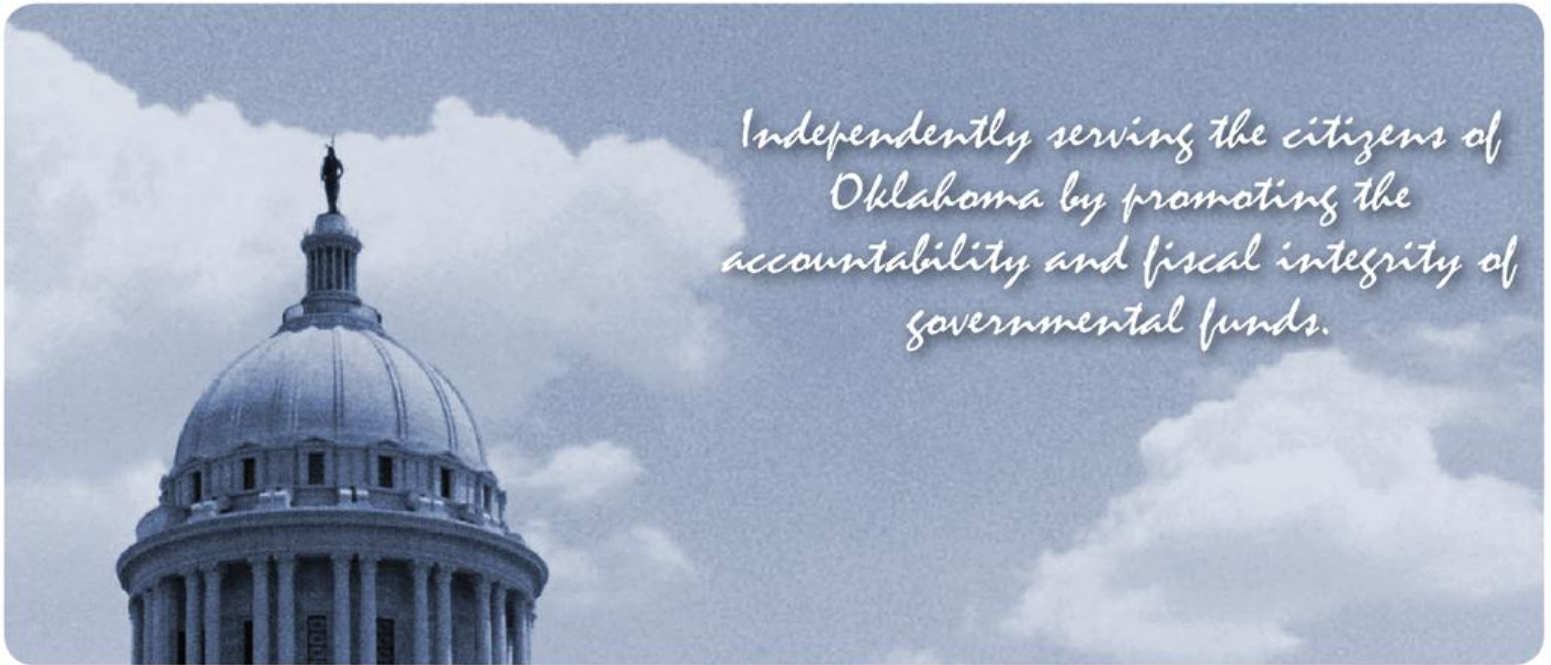


COUNTY AUDIT

OTTAWA COUNTY

For the fiscal year ended June 30, 2011



*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, 2011**

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, 2011. The audit was conducted in accordance with 19 O.S. § 171.

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

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**OTTAWA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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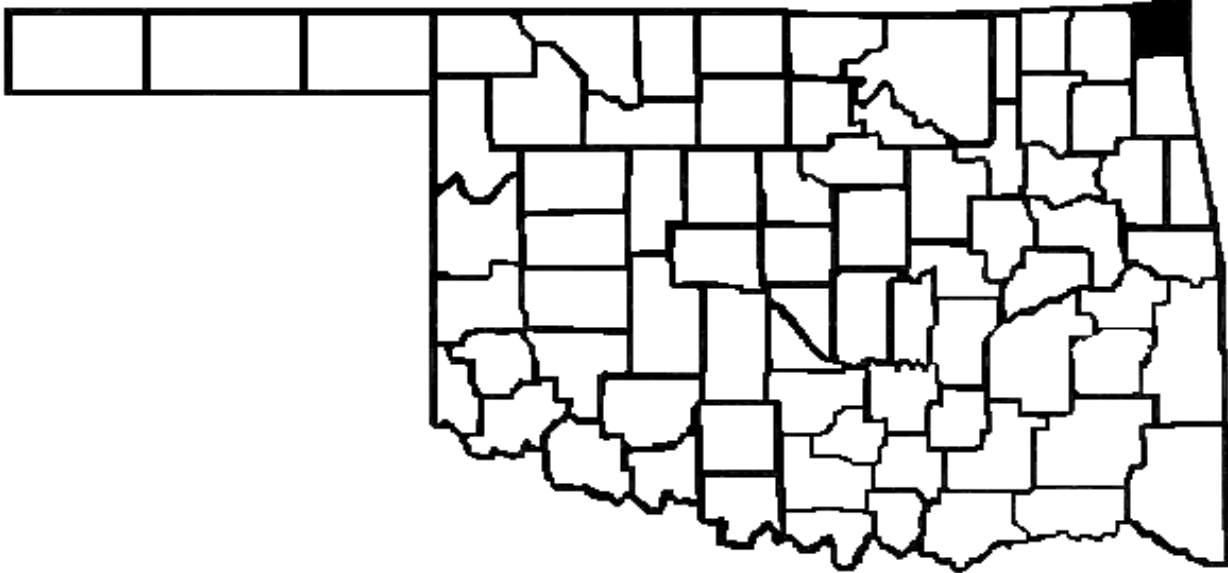
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**OTTAWA COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



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 – 31,629
(2009 est.)

Farms – 1,160

Land in Farms – 237,986 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

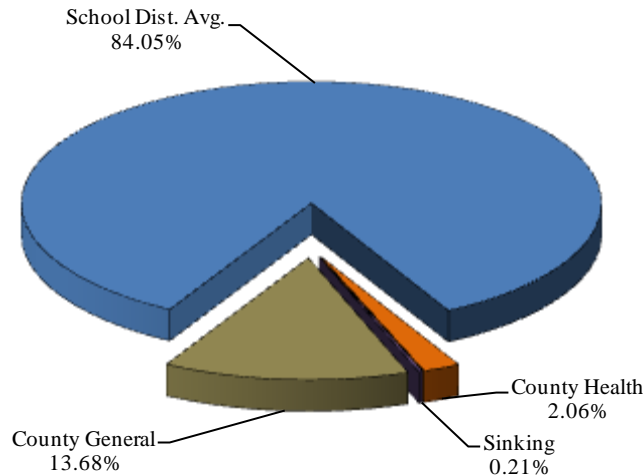
Cassie Key

District Attorney

Eddie Wyant

**OTTAWA COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

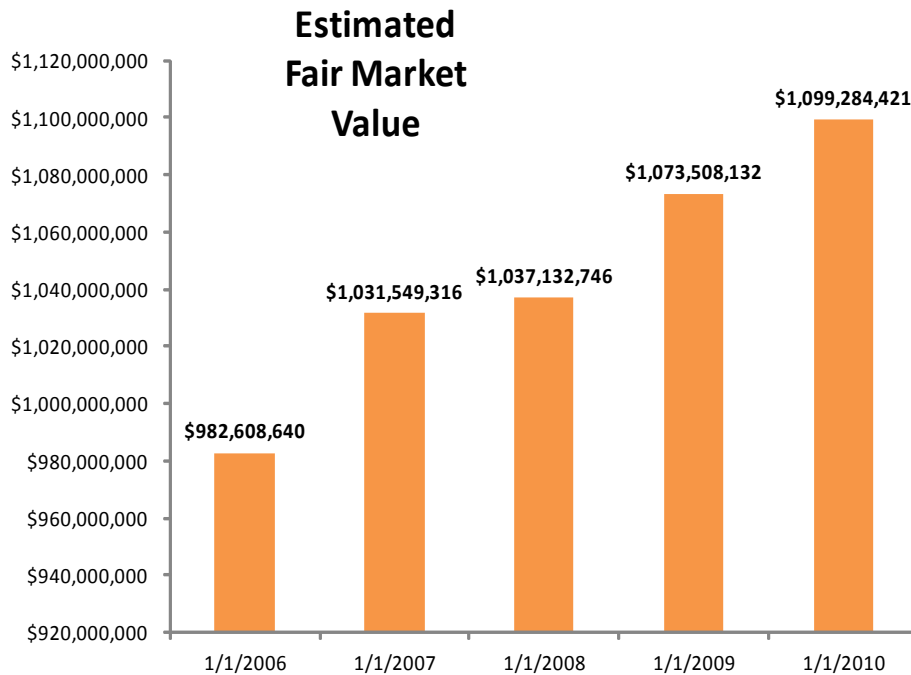
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	3.79	11.26	4.10	61.31
County Sinking	0.16	Wyandotte	I-1	36.46	5.21	7.93	11.26	4.10	64.96
		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
<u>Other</u>		Miami	I-23	35.70	5.10	12.27	11.26	4.10	68.43
Miami (City)	4.39	Afton	I-26	36.08	5.15	-	11.26	4.10	56.59
Miami School District 23 EMS	3.07	Fairland	I-31	36.04	5.15	7.33	11.26	4.10	63.88
		Neosho Valley	I-17	35.46	5.07	17.10	11.26	4.10	72.99

**OTTAWA COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

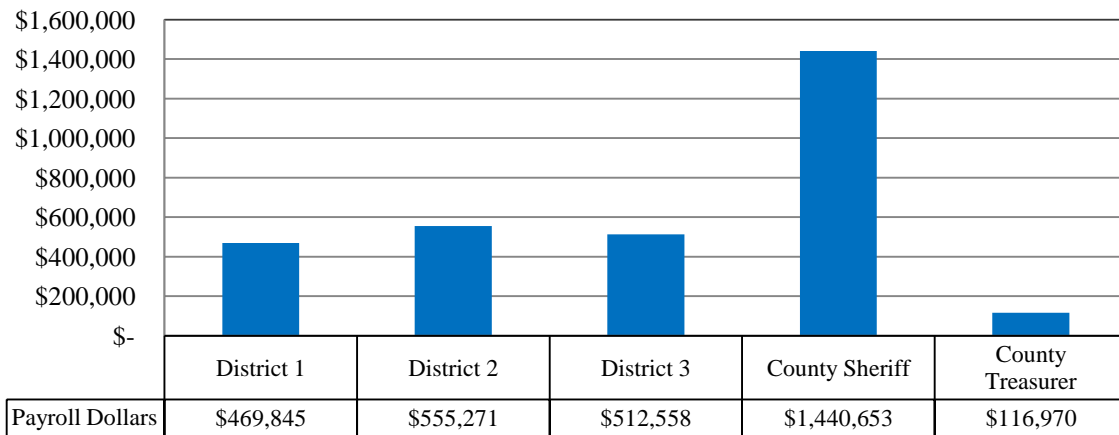
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$23,161,033	\$16,477,423	\$93,656,350	\$7,976,382	\$125,318,424	\$1,099,284,421
1/1/2009	\$23,624,031	\$15,783,508	\$90,754,875	\$7,782,487	\$122,379,927	\$1,073,508,132
1/1/2008	\$23,282,161	\$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



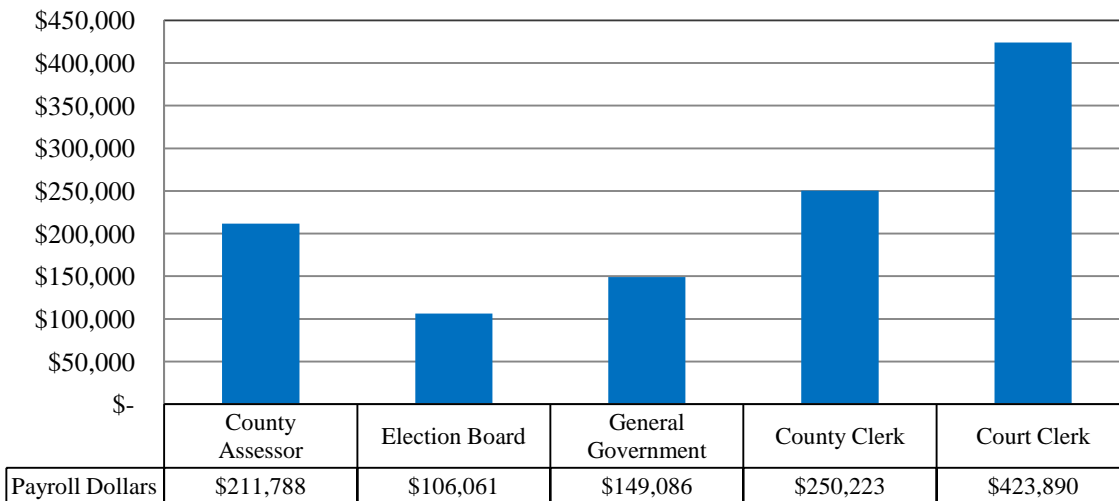
**OTTAWA COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011.

Payroll Expenditures by Department



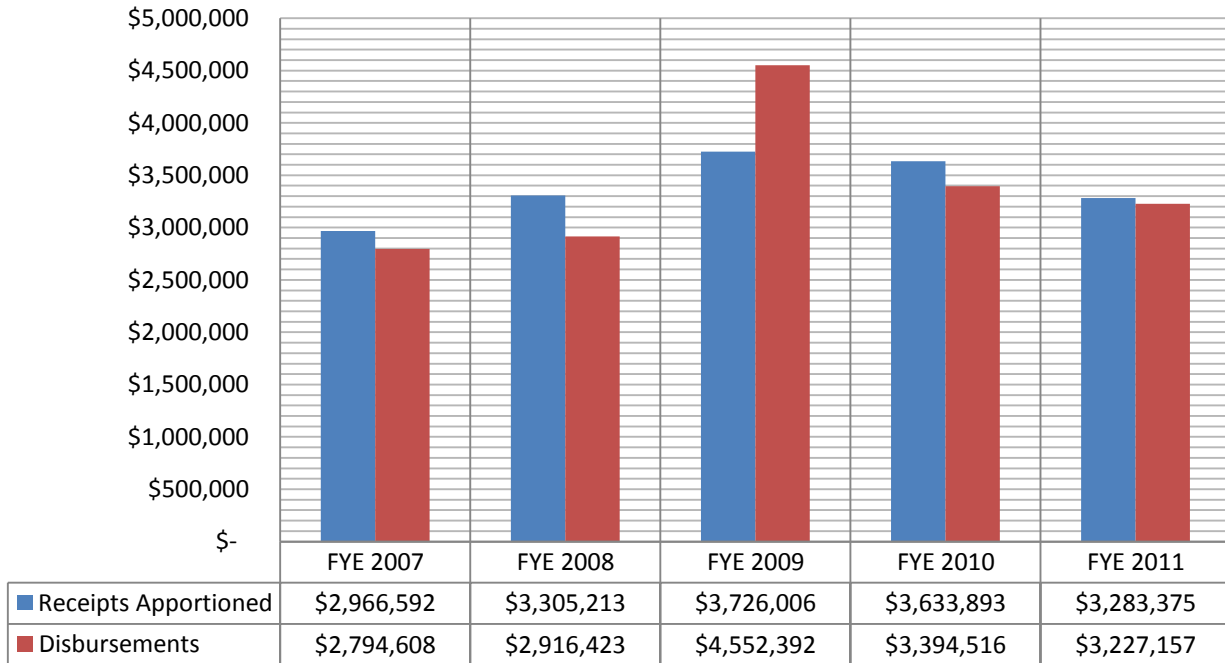
Payroll Expenditures by Department



**OTTAWA COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County General Fund

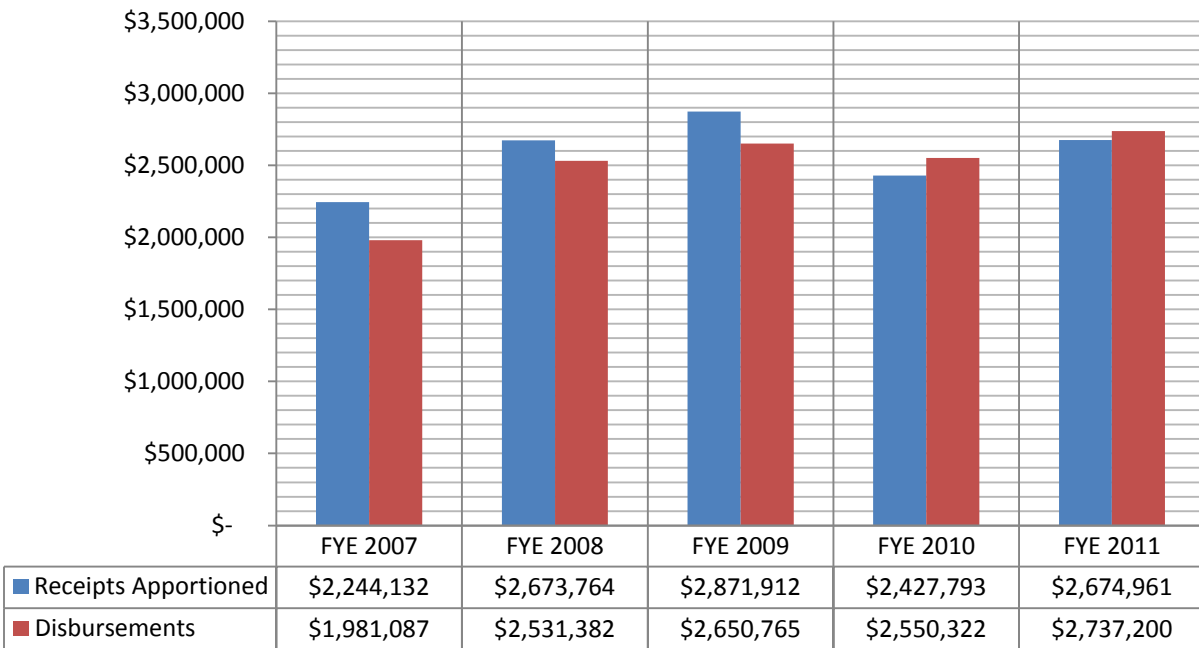
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2011**

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, 2011, 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, 2011, 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, 2011, 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, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 564,225	\$ 3,283,375	\$ 400,000	\$ 400,000	\$ 3,227,157	\$ 620,443
County Sales Tax	1,888	-	-	-	-	1,888
County Health	146,430	226,200	-	-	146,480	226,150
BIA/Highway	4,551,486	38,991	-	-	375,850	4,214,627
Highway	1,360,579	2,674,961	400,000	400,000	2,737,200	1,298,340
Highway 1/2 Cent Sales Tax	943,651	1,295,774	-	-	1,515,094	724,331
Courthouse Building Authority Sales Tax	114,394	545,996	-	-	470,244	190,146
MIDA Rawlins Sinking	35,832	20,221	-	-	21,460	34,593
Firefighters Sales Tax	238,100	219,713	-	-	259,403	198,410
Board of Prisoners	223,907	627,547	-	-	643,184	208,270
Repetitive Flood Claims Grant (RFC)	-	3,817,048	-	-	3,750,723	66,325
County Bridge and Road Improvement Fund	-	914,304	-	-	628,533	285,771
Remaining Aggregate Funds	458,734	633,617	-	-	664,333	428,018
Combined Total - All County Funds	\$ 8,639,226	\$ 14,297,747	\$ 800,000	\$ 800,000	\$ 14,439,661	\$ 8,497,312

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, 2011**

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, 2011**

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.

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.

County Bridge and Road Improvement Fund – accounts for state money received for construction and/or improvement of bridges within the County.

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.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

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
\$115,000	\$ -0-	\$15,000
	Ending Balance	Amount due within one year
	\$100,000	\$15,000

During fiscal year 2011, payments included \$15,000 for principal and \$6,460 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
2012	\$ 15,000	\$ 6,000	\$ 21,000
2013	15,000	5,100	20,100
2014	15,000	4,200	19,200
2015	15,000	3,300	18,300
2016-2018	40,000	4,500	44,500
Total	\$100,000	\$23,100	\$123,100

**OTTAWA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 Sales Tax fund for the designated purpose.

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

F. Interfund Transfers

During the fiscal year, the County made the following transfers between funds in accordance with Title 68 O.S. § 3021.

- \$400,000 to the County General Fund from the County Highway fund to cover non-payable warrants issued from the County General Fund.
- \$400,000 from the County General Fund to reimburse the County Highway fund after adequate ad valorem collections was apportioned to the County General Fund.

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, 2011

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 564,225	\$ 564,225	\$ -
Less: Prior Year Outstanding Warrants	(131,011)	(131,011)	-
Less: Prior Year Reserves	(8,875)	(6,906)	1,969
Beginning Cash Balances, Budgetary Basis	<u>424,339</u>	<u>426,308</u>	<u>1,969</u>
Receipts:			
Ad Valorem Taxes	1,166,601	1,247,610	81,009
Charges for Services	84,325	295,900	211,575
Intergovernmental Revenues	856,111	520,858	(335,253)
Sales Tax	988,603	1,091,991	103,388
Miscellaneous Revenues	31,780	127,016	95,236
Total Receipts, Budgetary Basis	<u>3,127,420</u>	<u>3,283,375</u>	<u>155,955</u>
Expenditures:			
District Attorney	4,000	2,839	1,161
County Sheriff	1,148,552	1,144,433	4,119
County Treasurer	147,271	115,413	31,858
County Commissioners	36,252	28,196	8,056
OSU Extension	56,368	44,855	11,513
County Clerk	279,882	271,012	8,870
Court Clerk	421,661	420,958	703
County Assessor	171,080	169,998	1,082
Revaluation of Real Property	113,423	113,423	-
General Government	624,167	458,450	165,717
Capital Outlay	258,942	222,174	36,768
Excise-Equalization Board	2,438	2,324	114
County Election Board	130,104	114,904	15,200
Capital Outlay	500	-	500
Emergency Management	74,689	72,158	2,531
Capital Outlay	12,943	10,432	2,511
County Cemetary	500	500	-
Free Fair	9,500	9,444	56
County Audit Budget Account	49,487	23,141	26,346
Provisions for interest on warrants	10,000	8	9,992
Total Expenditures, Budgetary Basis	<u>3,551,759</u>	<u>3,224,662</u>	<u>327,097</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, 2011**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	485,021	\$ 485,021
Operating Transfers:			
Interfund Transfers In		400,000	
Interfund Transfers out		(400,000)	
Net Interfund Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		13,065	
Add: Current Year Outstanding Warrants		122,357	
Ending Cash Balance		\$ 620,443	

**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, 2011**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 146,430	\$ 146,430	\$ -
Less: Prior Year Outstanding Warrants	(8,179)	(8,179)	-
Less: Prior Year Encumbrances	(5,670)	(5,670)	-
Beginning Cash Balances, Budgetary Basis	132,581	132,581	-
Receipts:			
Ad Valorem Taxes	175,446	187,628	12,182
Miscellaneous Revenues	33,954	38,572	4,618
Total Receipts, Budgetary Basis	209,400	226,200	16,800
Expenditures:			
Health and Welfare	278,883	121,847	157,036
Capital Outlay	63,098	42,022	21,076
Total Expenditures, Budgetary Basis	341,981	163,869	178,112
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	194,912	\$ 194,912
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		23,980	
Add: Current Year Outstanding Warrants		7,258	
Ending Cash Balance		\$ 226,150	

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, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Resale	\$ 120,734	\$ 118,018	\$ 121,762	\$ 116,990
Sheriff Service Fee	169,729	321,690	303,640	187,779
Sheriff DARE	161	-	-	161
Sheriff DFCF	63	-	-	63
County Clerk Lien Fee	10,447	12,130	5,680	16,897
County Treasurer Mortgage Certificate Fee	4,538	4,810	6,890	2,458
County Clerk Records Preservation	19,158	29,094	32,688	15,564
Sheriff Commissary	22,000	63,455	75,933	9,522
Sheriff Drug Buy	250	-	250	-
Sheriff Bond Fee	20,793	23,343	26,354	17,782
Child Abuse Prevention	7,162	244	183	7,223
County Assessor Revolving	16,192	3,617	5,508	14,301
Insurance Recovery Cash Fund	8	-	-	8
REAP Grant	-	25,000	25,000	-
Hazard Mitigation	-	22,966	22,966	-
Severe Repetitive Loss Grant	67,499	9,250	37,479	39,270
Combined Total - Remaining Aggregate Funds	\$ 458,734	\$ 633,617	\$ 664,333	\$ 428,018

**OTTAWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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:

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

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.

**OTTAWA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

REAP Grant – accounts for the collection of state grant monies and disbursed as restricted by grant agreements for Quapaw Schools.

Hazard Mitigation – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects and for the County hazard mitigation plan.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OTTAWA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, CDBG-14135	\$ 98,500
Total U.S. Department of Housing and Urban Development			<u>98,500</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-1833, DR-1876, DR-1985	59,861
Hazard Mitigation Grant	97.039	SRL-PJ-06 OK-2008-011	9,250
Hazard Mitigation Grant	97.039	RFC-PJ-06 OK-2009-002	3,817,019
Emergency Management Preparedness Grants	97.042		10,000
Total U.S. Department of Homeland Security			<u>3,896,130</u>
Total Expenditures of Federal Awards			<u>\$ 3,994,630</u>

**OTTAWA COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011, 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, 2011, 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. 2011-01 and 2011-02.

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 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".

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 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 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, 2011. 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. 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 program for the year ended June 30, 2011. 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 2011-3.

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-3, and 2011-4. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.



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, 2011**

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>
97.039	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, 2011**

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 2011-01 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: We noted the following weaknesses regarding the payroll process:

- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, reviews amounts issued to the employees and payroll related agencies, updates the master payroll file, issues payroll, prints payroll warrants and removes terminated employees from the system.

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, 2011**

Finding 2011-02 – 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 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, 2011**

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 2011-03 – Inadequate Internal Controls Over Compliance Requirement – Procurement and Suspension and Debarment – Hazard Mitigation Grant (Repeat Finding)

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: SRL-PJ-06 OK-2008-011, RFC-PJ-06 OK-2009-002

FEDERAL AWARD YEAR: 2011

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, 2011**

Finding 2011-04 – Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards - Disaster Grants - Public Assistance (Presidentially Declared Disasters) (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: DR- 1876, DR-1883, DR-1985

FEDERAL AWARD YEAR: 2011

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 expenditures that were not accurate on the County's Statement of Expenditures of Federal Awards (SEFA). Federal program 97.036 actual expenditures were \$59,861 and the County reported \$42,325. The County under reported the expenditures by \$17,536.

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 2011. 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 federal program expenditures resulted in the erroneous reporting of the County's Schedule of Expenditures of Federal Awards.

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.

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

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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 2011-05 – 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.

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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 No corrective action taken. However, the federal agency or pass-through entity are not currently following up with the auditee on the audit finding, and a management decision has not been issued by the federal agency or the pass-through entity.

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. Also, the federal agency or pass-through entity are not currently following up with the auditee on the audit finding, and a management decision has not been issued by the federal agency or the pass-through entity.

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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

FINDING SUMMARY: 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.

STATUS: Finding 2010-3 was not corrected, and resulted in similar finding 2011-3.

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-

FINDING SUMMARY: Federal programs were not listed accurately on the County's Statement of Expenditures of Federal Awards. 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.

STATUS: Finding 2010-4 was not corrected, and resulted in similar finding 2011-4.



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