

COUNTY AUDIT

POTTAWATOMIE COUNTY

For the fiscal year ended June 30, 2007



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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

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

February 7, 2012

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma for the fiscal year ended June 30, 2007. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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", with a long horizontal flourish extending to the right.

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Pottawatomie County.....	ii
County Officials and Responsibilities.....	iii
Ad Valorem Tax Distribution	viii
Computation of Legal Debt Margin.....	ix
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	x
Assessed Value of Property	xi

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information)	3
Notes to the Financial Statement.....	5

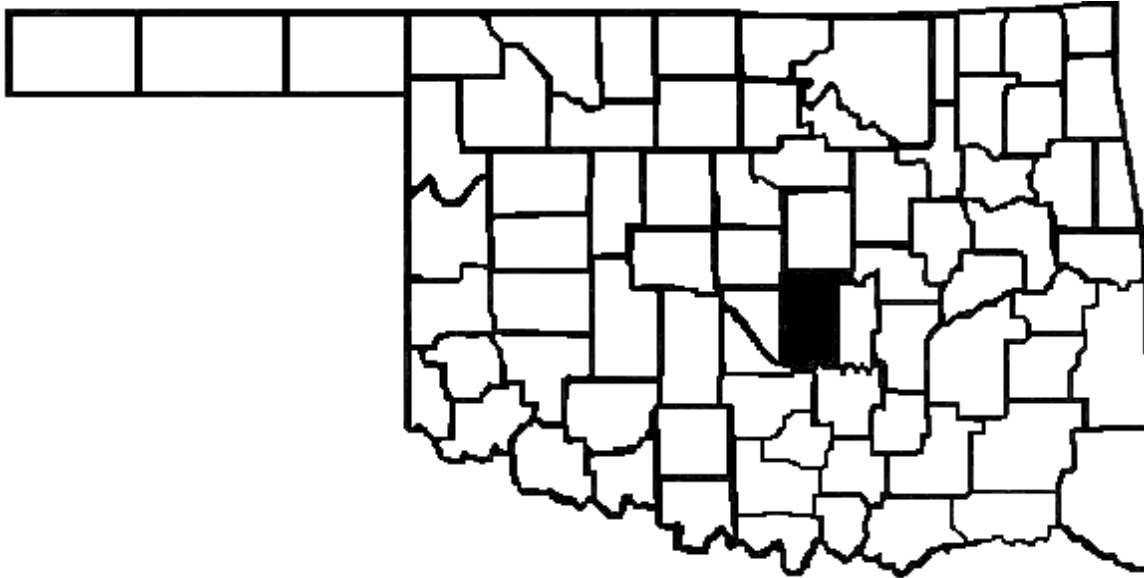
OTHER SUPPLEMENTARY INFORMATION

Detailed Schedule of Receipts, Disbursements, and Changes in Cash Balances—Sinking Fund.....	13
Note to Other Supplementary Information.....	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Schedule of Findings and Responses	17

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



Settled by Seminole, Creek, Citizen Band Potawatomi, Absentee Shawnee, Kickapoo, and Sac and Fox Indian Tribes, this area was opened to white settlement in the land run on September 22, 1891, and was designated County "B." The county name was changed by vote in 1892 to honor the Pottawatomie Indians and means "people of the place of fire."

Tecumseh, originally the county seat, soon lost to the fast growing community of Shawnee which was also in competition for the state capitol. City fathers even went so far as to build a proposed governor's mansion. The oil and railroad industries were vital to the development of some Pottawatomie County towns and the decline of others, but agriculture has remained a mainstay of the county's economy.

History comes to life in annual celebrations such as Frontier Days in Tecumseh and the Heritage Fest in Shawnee. And the historic Santa Fe depot, built in 1903, still stands in Shawnee along with other early structures. Pottawatomie County is the site of the Shawnee Indian Reservation and has sixty-three "Ghost Towns."

Pottawatomie County has two institutions of higher education. Offices of the Shawnee, Potawatomi, and Sac and Fox tribes are located in the county. For more information, call the county clerk's office at (405) 273-8222.

County Seat – Shawnee

Area – 793.26 Square Miles

County Population – 68,272
(2005 est.)

Farms – 1,663

Land in Farms – 343,119 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

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

COUNTY ASSESSOR
Troyce King

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

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

COUNTY CLERK
Nancy Bryce

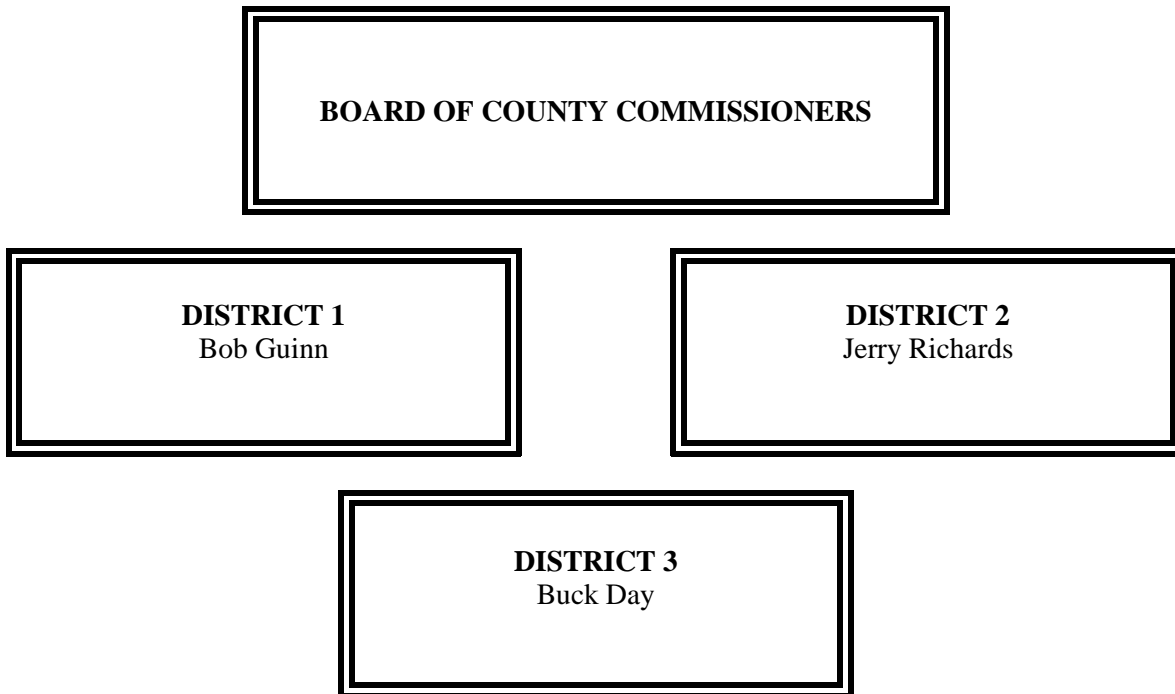
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report.

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



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

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

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

See independent auditor's report.

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

COUNTY SHERIFF
Kurt C. Shirey

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

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

COUNTY TREASURER
Michelle Pecore

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

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

See independent auditor's report.

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

COURT CLERK
Reta Head

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

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

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

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

DISTRICT ATTORNEY
Richard Smothermon

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

See independent auditor's report.

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

<p>ELECTION BOARD SECRETARY Diana Knight</p>

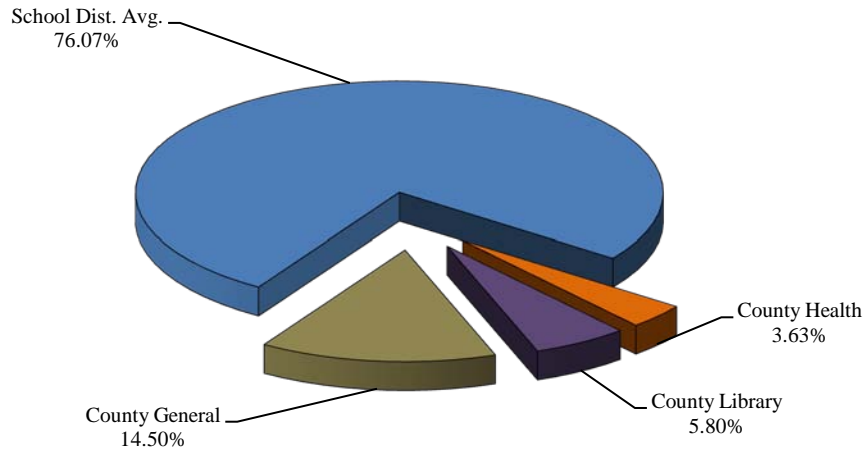
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

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

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	City Sinking	Common	Total
County General	10.15								
County Health	2.54	McCloud	I-1	35.66	5.09	10.02		4.06	54.83
County Library	4.06	Dale	I-2	35.82	5.12	13.50		4.06	58.50
		Bethel	I-3	35.77	5.11	14.29		4.06	59.23
		Macomb	I-4	35.94	5.13			4.06	45.13
		Earlsboro	I-5	35.88	5.13			4.06	45.07
		Tecumseh	I-92	35.71	5.10	14.23		4.06	59.10
		Shawnee	I-93	35.31	5.04	21.20	0.69	4.06	66.30
		Asher	I-112	36.16	5.17	30.52		4.06	75.91
		Wanette	I-115	36.17	5.17			4.06	45.40
		Maud	I-117	35.94	5.13	22.50		4.06	67.63
		North Rock Creek	C-10	35.20	5.03	11.29		4.06	55.58
		Grove	C-27	35.48	5.07	9.14		4.06	53.75
		Pleasant Grove	C-29	35.46	5.07			4.06	44.59
		South Rock Creek	C-32	35.77	5.11	7.69		4.06	52.63
		Gordon Cooper Technology Center	VT-5	10.12	5.06				15.18

See independent auditor's report.

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

Total net assessed value as of January 1, 2006		<u>\$ 244,954,780</u>
Debt limit - 5% of total assessed value		12,247,739
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>46,751</u>	<u>-</u>
Legal debt margin		<u>\$ 12,247,739</u>

See independent auditor's report.

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

	2007
Estimated population	68,272
Net assessed value as of January 1, 2006	\$ 244,954,780
Gross bonded debt	-
Less available sinking fund cash balance	46,751
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2006	\$41,176,675	\$34,418,103	\$185,673,046	\$16,313,044	\$244,954,780	\$2,041,040,613

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Pottawatomie County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pottawatomie County as of June 30, 2007 or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Pottawatomie County, for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of Pottawatomie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. Pottawatomie County has not presented budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund and Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund. Although not a part of the basic financial statement, such information is an integral part of the regulatory presentation for county government. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

January 27, 2012

Basic Financial Statement

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

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
General Fund	\$ 679,582	\$ 3,365,214	\$ 3,316,942	\$ 727,854
County Highway	2,523,807	4,071,571	4,175,398	2,419,980
Restricted Highway	3,914			3,914
County Health	510,285	653,483	464,638	699,130
Resale Property	391,747	185,805	169,061	408,491
Courthouse Renovation	3,960			3,960
Community Service Grant	28		14	14
County Assessor Fees	2,565	14,959	8,313	9,211
County Clerk Lien Fee	19,690	22,497	27,542	14,645
County Treasurer Mortgage Tax	21,836	17,701	19,761	19,776
Child Abuse Prevention	11,136	906		12,042
Self-Insurance	1,037			1,037
Sheriff Service Fee	165,275	198,409	222,082	141,602
Sheriff Training	603		60	543
Sheriff Drug Buy	380			380
Board of Prisoners	400		400	
Social Services Cash	29,583	1,831		31,414
Circuit Engineering Cash	462		462	
Birdie Lane Road Improvement District	2,830	149		2,979
Westgate Road Improvement District	19,740	1,560		21,300
Romburg #13 Road Improvements	58,110	3,061		61,171
Sales Tax Maintenance/Repair/Improvements	2,852,719	3,927,265	3,791,277	2,988,707
Sales Tax Pottawatomie County Fire Department	669,072	503,821	327,596	845,297
Sales Tax Emergency Services	553,801	256,976	159,283	651,494
Sales Tax Economic Development	843,813	165,837	350,000	659,650
Sales Tax OSU Extension Center	88,535	168,625	149,953	107,207
Sales Tax Soil Conservation	49,538	68,490	57,708	60,320
Sales Tax Pottawatomie County Free Fair	129,616	73,066	34,652	168,030
Sales Tax Senior Citizens	183,328	140,375	132,701	191,002

continued on next page

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

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

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
Use Tax Courthouse Capital Improvements	745,540	674,506	322,596	1,097,450
County Clerk Preservation Fee	198,862	110,303	158,919	150,246
CDBG (93-73) Bathroom	90			90
Community Sentencing	1,325	4,188	4,396	1,117
Pottawatomie County Drug Court	31,397	162,572	143,747	50,222
Law Enforcement Grant	53			53
County Sinking	46,742	9		46,751
Town of Johnson	292			292
Sales Tax Pottawatomie County Public Safety	211,100	1,316,097	1,309,325	217,872
Sales Tax Capital Improvements Jail/Highway	52,775	329,075	327,382	54,468
CDBG Tribbey	72,750	74,100	6,750	140,100
CDBG 59B	2,347			2,347
CDBG #11876		77,217	62,721	14,496
Acme Road Building Maintenance		9,720		9,720
Sheriff Courthouse Security		12,743	1,960	10,783
Pottawatomie County 911 System		52,399		52,399
Combined Total--All County Funds	<u>\$ 11,180,665</u>	<u>\$ 16,664,530</u>	<u>\$ 15,745,639</u>	<u>\$ 12,099,556</u>

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Pottawatomie County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

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

County Highway - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Restricted Highway - accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property - accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

Courthouse Renovation - accounts for monies used for the renovation and remodeling of courthouse property.

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

Community Service Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

County Assessor Fees – accounts for the collection of fees for copies as restricted by state statute.

County Clerk Lien Fee – accounts for lien collections and disbursements of sheriff process service fees as restricted by statutes.

County Treasurer Mortgage Tax – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statutes.

Child Abuse Prevention – accounts for monies from donated juror's fees to be disbursed in accordance with state statutes.

Self-Insurance – accounts for appropriations to be disbursed for repairs to vehicles that may be damaged on county roads.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

Sheriff Training – accounts for forfeiture monies and disbursed for training purposes only.

Sheriff Drug Buy – accounts for forfeiture monies and disbursed as drug buy money.

Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of the Department of Corrections' prisoners.

Social Services Cash – accounts for rent paid to County by DHS for the general upkeep of the property.

Circuit Engineering Cash – accounts for monies received from the circuit engineering district as reimbursement for salaries.

Birdie Lane Road Improvement District – accounts for monies collected from property owners to pay off bonds that were obtained for road improvements.

Westgate Road Improvement District – accounts for monies collected from property owners to pay off bonds that were obtained for road improvements.

Romburg #13 Road Improvements – accounts for monies collected from property owners to pay off bonds that were obtained for road improvements.

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

Sales Tax Maintenance/Repair/Improvements – accounts for the collection of sales tax to be disbursed for the maintenance, repair, and improvement of county roads and bridges.

Sales Tax Pottawatomie County Fire Department – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Fire Department.

Sales Tax Emergency Services – accounts for the collection of sales tax to be disbursed for the emergency services.

Sales Tax Economic Development – accounts for the collection of sales tax to be disbursed for economic development.

Sales Tax OSU Extension Center – accounts for the collection of sales tax to be disbursed for the OSU Extension Center.

Sales Tax Soil Conservation – accounts for the collection of sales tax to be disbursed for the soil conservation service.

Sales Tax Pottawatomie County Free Fair – accounts for the collection of sales tax to be disbursed for the Pottawatomie County Free Fair/Junior Livestock Show.

Sales Tax Senior Citizens – accounts for the collection of sales tax to be disbursed for the Senior Citizens Center.

Use Tax Courthouse Capital Improvements – accounts for the collection of sales tax to be disbursed for capital improvements.

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

CDBG (93-73) Bathroom – accounts for grant monies to be disbursed as restricted by grant agreement.

Community Sentencing – accounts for reimbursement of monies for community service workers from the Department of Corrections to be disbursed for the general operation of the office.

Pottawatomie County Drug Court – accounts for monies from payments for drug testing to be disbursed for the general upkeep of the office.

Law Enforcement Grant – accounts for grant monies received and used to purchase equipment as restricted by the grant agreement.

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

County Sinking – accounts for the payments of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. There is currently no long-term debt. The remaining balance will be transferred to the general fund.

Town of Johnson – accounts for federal funds to be used for road improvements.

Sales Tax Pottawatomie County Public Safety – accounts for sales tax revenue to build and operate the jail.

Sales Tax Capital Improvements Jail/Highway – accounts for sales tax revenue to be used for capital improvements for the Public Safety Center (Jail) and county roads and bridges.

CDBG Tribbey – accounts for federal funds to be used for road improvements.

CDBG 59B – accounts for federal funds to be used for road improvements.

CDBG #11876 – accounts for federal funds to be used to make repairs to low income homeowners dwellings.

Acme Road Building Maintenance – accounts for rental monies received and used for maintenance of the building.

Sheriff Courthouse Security – accounts for fees received to provide security at the county courthouse.

Pottawatomie County 911 System – accounts for fees received to maintain the 911 system.

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

C. Basis of Accounting

The basic financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This cash

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

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

D. Budget

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

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

E. Cash

The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

F. Investments

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

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

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

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with 1 to 5 service years earn 10 days per year, employees with 6 to 15 service years earn 15 days per year, and employees with years exceeding 15 years earn 20 days per year. Vacation leave is accrued monthly and must be earned before it is taken. Vacation leave is not carried over from one year to the next. Upon termination, annual leave is paid for the balance of accrued annual leave up to the accumulation limit.

Sick leave benefits are accrued at the rate of 8 hours per month and employees may accumulate up to 130 days. Sick leave is not paid upon termination.

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2006, was approximately \$244,954,780.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.15 mills for general fund operations, 2.54 mills for county health department, and 4.06 mills for county library. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2007, were approximately 96.58 percent of the tax levy.

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

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

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

5. Long-term Obligations

Capital Leases

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

6. Pension Plan

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

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

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

the adequacy of contribution rates. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$391,253, \$353,690, and \$303,517, respectively, equal to the required contributions for each year.

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

7. 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.

8. 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.

9. Sales Tax

The voters of Pottawatomie County approved a 1% sales tax on July 1, 2003. The sales tax will end June 30, 2013. The sales tax was established to provide revenue for: 56%, maintenance, repair, and improvement of county roads and bridges; 20%, constructing, furnishing, operating, and maintaining the Pottawatomie County Public Safety Center jail facility; 7%, Pottawatomie County Fire Department; 3.5%, emergency services (sheriff, ambulance, and other); 2%, economic development; 2.5%, OSU Extension Center; 1%, soil conservation services; 1%, Pottawatomie County Free Fair/Junior Livestock Show; 2%, senior citizens; and 5%, capital improvements.

OTHER SUPPLEMENTARY INFORMATION

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

Beginning Cash Balance	\$ 46,742
Receipts:	<u>9</u>
Total Receipts	<u>9</u>
Disbursements:	<u> </u>
Total Disbursements	<u>-</u>
Ending Cash Balance	<u>\$ 46,751</u>

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

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

Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. There is currently no long-term debt. The remaining balance will be transferred to the General Fund.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

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

TO THE OFFICERS OF
POTTAWATOMIE COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Pottawatomie County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 27, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Further, Pottawatomie County has not presented budgetary comparison information for the General Fund and County Health Department Fund that should have been included as supplementary information. 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 Pottawatomie 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 the 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1, 2007-6, 2007-8, 2007-9, 2007-11, 2007-12, and 2007-13 as described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pottawatomie 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 certain matters that we reported to the management of Pottawatomie County, which are included in Section 2 of the schedule of findings and responses contained in this report.

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

This report is intended solely for the information and use of the management of Pottawatomie County and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

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

January 27, 2012

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

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2007-1 - Segregation of Duties (Repeat Finding)

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.

Condition:

- The County Clerk has six employees. Three employees write official depository receipts and work customer support with the lead person for the land records balancing the daily deposit when the head cashier is not available to perform that duty. The same lead person compiles the monthly OTC deposits. She processes documents and works data entry for land records, as well as, conducting land record searches.
- The purchasing agent prepares the requisitioning portion of the purchase order which is approved by the County Officer; then the purchasing agent orders the items requested which are received by the receiving clerk. Receiving documents and invoices are then forwarded to the purchasing agent who prepares the payment. Payment is then approved by one County Commissioner (state law requires two commissioners sign the warrants issued for payment); warrants (payments) are issued by the purchasing agent, returned to the purchasing agent, mailed by the purchasing agent, posted by the purchasing agent, and reconciled to expenditure reports by the purchasing agent.
- The payroll clerk maintains the personnel files; payroll liabilities are paid through the payroll system by the payroll clerk-having automated signatures of the County Commissioners; payroll liabilities are mailed by the payroll clerk; payroll clerk calls in EFTPS payments and reconciles payroll records to monthly, quarterly, and annual reporting. Changes can be made to payroll transactions up to the point of transfer to the bank.
- The County Treasurer has eight employees. Mail is delivered to the accounting department-Deputy Accountant; the Accounting Department delivers school mail that is forwarded to the County Treasurer with other mail forwarded to the First Deputy or any available deputy; ad valorem checks are endorsed automatically by a clerk as each is processed; other checks are endorsed upon receipt by processing clerk; receipt logs are maintained by the Deputy Accountant and/or the School Deputy; all receipting is performed by the First Deputy with all other clerks receipting ad valorem; missing receipt numbers are investigated by the accounting department; voided receipts are maintained by the accounting department; deposits are compiled and made by Deputy Accountant; deposits received and controlled by the School Deputy; individual receipts are posted automatically as issued. The Deputy Accountant performs the final posting of the

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

day's activity to the general ledger; bank reconciliation performed by the Deputy Accountant with the Head Accountant verifying and approving the reconciliation.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one person is able to perform all accounting functions. 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 Treasurer will review all bank statements, and will now initial her reviews for documentation. The County Clerk will attend any classes that address segregation of duties for small offices. Now she has one employee encumbering, one paying bills and one payroll clerk. Also, she has two people sign and check purchase orders when they are encumbered.

Finding 2007- 6 – Signature Stamps

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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.

Condition: It was noted that all Pottawatomie County Commissioners have and are using signature stamps that are not kept in a secure, locked location. Signature stamps are located throughout the County Clerk's office and the County Commissioner's building, which are accessible and used by several employees.

Effect: This condition could result in undetected errors or a misappropriation of funds.

Recommendation: OSAI recommends that all signature stamps be kept in a secure location with a person designated for use of the signature stamp to prevent unauthorized use.

Management Response: District 2 agrees with this finding and will take steps to rectify this. The County Clerk signature stamps are now kept in the vault.

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

Finding 2007 – 8 – Payroll Time Accounting

Criteria: Effective internal controls include timesheets being prepared, reviewed for accuracy, and filed with the payroll department prior to payroll checks being issued. The County's Personnel Policy Handbook and Fair Labor Standards Act require that employers keep accurate records of time worked by employees including sick, vacation, and compensatory time earned, taken, or paid.

Pottawatomie County Personnel Policy Handbook states:

Most County employees will follow a normal work schedule of forty (40) hours per week plus an unpaid one-hour lunch period each day. Compensatory time off will be granted to an employee at the rate of 1 ½ hours for each hour of overtime worked (all hours worked in a work week in excess of 40 hours).

Vacation leave must be earned before it is taken...No individual can carry over vacation leave from one year to the next. Upon separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.

Sick leave shall accumulate at the rate of 8 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 130 days.

Condition: During our test of payroll records, one employee was chosen from each office and the months of May and June 2007 were tested. The following was noted:

County Treasurer

- Timesheets for May and June 2007 were not signed by a supervisor.
- Leave balance summaries do not accurately reflect timesheet activity.

County Sheriff

- Timesheets from July 2006 through June 2007 could not be located.

Court Clerk

- Leave taken on timesheets is not always reflected clearly.
- Employees do not sign to verify that leave balances are correct.

District 1

- Leave balance summaries do not accurately reflect timesheet activity.

District 2

- Leave balances for May and June 2007 show 252 hours of vacation leave.

District 3

- Leave balance summaries could not be located for May and June 2007.
- Timesheets for May and June 2007 were not signed by an employee or supervisor.

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

County Assessor

- Leave balance summaries do not accurately reflect timesheet activity.

We obtained wage sheet reports and billing information to support deductions from the County Clerk's office. We traced withholdings to billing information. The following was noted:

Upon retirement, wage sheet totals reflect that an employee was paid twice for both vacation and compensatory time. The extra payment of \$1,333.48 for compensatory time and \$1,491.60 for vacation leave totaled an additional \$2,825.08.

Upon retirement, wage sheet totals reflect that an employee's insurance was paid for seven months totaling \$2,563.96.

Effect: This condition could result in inaccurate records, incomplete information, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that all employees prepare timesheets with information of time worked, any leave taken during the month, overtime worked, and accumulated leave balances, in order to comply with the County's Personnel Policy Handbook and Fair Labor Standards Act. OSAI further recommends that more care be taken in assuring timesheets are calculated properly, balances are transferred and guidelines are followed as set forth in the Pottawatomie County Personnel Policy Handbook.

Management Response: District 2 will take steps to monitor leave balances to make sure that leave does not exceed limits. The County Clerk has a new payroll clerk who is much more diligent and will start having someone double check payroll.

Finding 2007-9 - Payroll Reports

Criteria: Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. Failure to perform tasks that are a part of internal controls such as reconciling monthly bank statements to the quarterly 941 reports and the yearly W-3 reports and ensuring the correct amounts are remitted to OPERS are deficiencies in internal controls.

Condition: We obtained quarterly 941 forms from the County Clerk and W-3 and EFTPS bank statements from the County Treasurer for the calendar year falling within the audit periods. Several variances were noted:

* While comparing the Treasurer's EFTPS bank statements to individual amounts posted on the County Clerk's 941 forms, we noted the following variances for the months July 2006 and October 2006.

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

	<u>EFTPS Bank Statement</u>	<u>Quarterly 941</u>	<u>Variance</u>
July 2006	\$29,367.57	\$57,635.81	(\$28,268.24)
October 2006	\$29,139.25	\$ 0.00	\$29,139.25

*A variance of \$2,576.84 was noted while comparing County Clerk’s 941 forms to the W-3s for the calendar year 2007.

We also obtained OPERS retirement reports from the County Clerk’s Office. Variances were noted for every month during our audit period. Variances were due to over payments or underpayments made by the County for a total a \$711.18.

Effect: This condition could result in misstated financial reports, inaccurate records, or misappropriation of funds.

Recommendation: OSAI recommends that the quarterly 941 reports and yearly W-3 reports be reconciled to the EFTPS account. We further recommend that more care be taken in assuring the correct amounts are remitted to OPERS.

Management Response: The County Clerk has a new payroll clerk who is much more diligent and will start having someone double check payroll.

Finding 2007 –11 – Disaster Recovery Plan

Criteria: CobiT 4.1 DS4.1 states:

Develop a framework for IT continuity to support enterprise-wide business continuity management using a consistent process. The objective of the framework should be to assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organizational structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

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

Condition: The County Clerk and the County Treasurer do not have a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster.

Effect: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and/or systems would be restored could cause significant problems in ensuring that County business could continue without interruption.

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan addressing how critical information and/or systems would be restored in the event of a disaster.

Management Response: The County Treasurer will review the County Clerk's Disaster Recovery Plan and contact the County Treasurer's Association to see if they have a model plan that I can adopt. The County Clerk now has a disaster recovery plan in place.

Finding 2007-12 - Payroll Comp Time

Criteria: Effective internal controls include timesheets being prepared, reviewed for accuracy, and filed with the payroll department prior to payroll checks being issued. The Fair Labor Standards Act require that employees keep accurate records of time worked by employees, including sick, vacation, and comp time earned, taken, or paid.

Pottawatomie County Personnel Policy Handbook states:

Most County employees will follow a normal work schedule of forty (40) hours per week plus an unpaid one-hour lunch period each day.

Pottawatomie County has adopted as its policy, practice and procedure, a method of compensating employees for overtime whereby employees are required to utilize compensatory time off in lieu of cash overtime payments. As an exception to this policy, and at the sole discretion of the elected official, the elected official may decide to make cash overtime payments. Compensatory time off will be granted to an employee at the rate of 1 ½ hours for each hour of overtime worked. (all hours worked in a work week in excess of 40 hours)

Condition: During payroll test work, the following was noted for two County Clerk Employees:

Employee One (Payroll Clerk):

- We were unable to locate timesheets for the months of July 2006 - December 2006 and April and May 2007.
- Timesheets were not signed by a supervisor.
- Leave balance totals for leave used and earned does not agree to timesheets.
- Employee was paid for excessive amounts of comp time without timesheets or leave balances to support amounts. (see schedule below)

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

Employee Two (Accounts Payable Clerk):

- We were unable to locate timesheets for the months of July 2006 through December 2006 and June 2007.
- Leave balance totals for leave used and earned does not agree to timesheets.
- Leave balance summaries were last updated May 2007.
- Comp time was earned when 40 or more hours were not worked in one week.
- Employee was paid for excessive amounts of comp time without timesheets or leave balances to support amounts. (see schedule below)

Comp Time per Leave Balance Summaries					Comp Time Paid per Wage Sheet		
2007 Fiscal Year	Beginning Balance	Comp Accrued	Comp Used	Ending Balance	Monthly Salary	Amount Paid	Hours Paid
Employee 1							
July	22.38	0.00	0.00	22.38	\$1,900.00	\$ 398.72	36
August	22.38	0.00	0.00	22.38		\$ 391.82	35.75
September	22.38	0.00	0.00	22.38	1,975.00	\$ 1,289.89	113
October	22.38	21.75	0.00	44.13		\$ 1,199.10	105
November	44.13	0.00	0.00	44.13		\$ 1,655.90	145
December	44.13	0.00	0.00	44.13		\$ 1,975.66	173
January	44.13	0.00	0.00	44.13		\$ 1,084.90	95
February	47.13	0.00	0.00	44.13			0
March	47.13	0.00	0.00	44.13			0
April	47.13	0.00	0.00	44.13			0
May	47.13	0.00	0.00	44.13			0
June	47.13	<u>0.00</u>	<u>0.00</u>	44.13			<u>0</u>
Total		21.75	0.00			\$ 7,995.99	702.75
Employee 2							
July	60.63	0.00	0.00	60.63	\$1,900.00	\$ 412.42	37.63
August	60.63	0.00	0.00	60.63		\$ 445.52	40.65
September	60.63	0.00	0.00	60.63	\$1975.00	\$ 464.79	40.70
October	60.63	0.00	0.00	60.63		\$ 610.97	53.50
November	60.63	0.00	0.00	60.63		\$ 915.08	80.13
December	60.63	0.00	0.00	60.63		\$ 1,296.17	113.50
January	43.63	5.00	0.00	48.63		\$ 1,484.60	130.00
February	48.63	0.00	0.00	3.75			0.00
March	48.63	0.00	0.00	3.75			0.00
April	48.63	6.75	0.00	55.38			0.00
May	55.38	0.00	0.00	55.38			0.00
June	55.38	<u>0.00</u>	<u>0.00</u>	55.38			<u>0.00</u>
Total		11.75	0.00			\$ 5,629.55	496.11

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

Effect: This condition could result in inaccurate records, incomplete information, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that timesheets be prepared and reviewed for accuracy before payroll checks are issued and the employee and the supervisor sign off on the time record. OSAI further recommends that records of leave balances for vacation, sick and comp time be maintained to ensure that employees do not use in excess of that which is accrued.

Management Response: The County Clerk states that the two employees involved in this situation no longer work here. I no longer pay for overtime, I give time off, and any overtime worked has to be approved by me.

Finding 2007 – 13 - Computer Passwords

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring, periodic testing, and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Condition: After interviews with the County Clerk, it was noted that there are no adequate controls in place to safeguard the County Clerk's data from unauthorized modification, loss or disclosure. The computers in the Clerk's office still have active passwords of terminated employees. These passwords are occasionally used by current employees to access information.

Effect: Security for the computer, computer programs, and data could be compromised.

Recommendation: OSAI recommends the County work with their IT personnel or in conjunction with software vendors to put controls in place that will deactivate terminated employees' passwords.

Management Response: The County Clerk will make sure all passwords are deleted when an employee leaves.

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

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2007-10 - Estimate of Needs

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government’s duty to be publically accountable and should enable users access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity’s adopted budget.

Title 19 O.S. § 1413.C. states:

The adopted budgets shall be in effect on and after the first day of the fiscal year to which they apply. The budgets as adopted and filed with the excise board shall constitute an appropriation for each fund, subject to final approval of the county excise board as provided in this act, and the appropriation thus made shall not be used for any other purpose except as provided by law.

Title 19 O.S. § 1414.B. states:

At the time required by law, the county excise board shall compute the appropriations and levy the taxes necessary for the county for the budget year in accordance with this act and Section 3017 of Title 68 of the Oklahoma Statutes.

Title 68 O.S. § 3017 states in part:

Third: Deduct from the remainder thus ascertained the estimated probable income from sources other than ad valorem taxation; however, in no event shall the amount of such estimated income exceed ninety percent (90%) of the actual collections from such sources for the previous fiscal year. Provided, that the amount of such estimated income for a school district may be the amount that is chargeable as minimum program income of the district for the purpose of receiving state equalization aid. Also, deduct the estimated probable revenue to be derived from additional collection from taxes in the process of collection of the immediately preceding taxable year; provided that the amount so estimated shall be cash fund balance as hereinafter defined, and shall include none of that portion of the reserve added at the beginning of such year for delinquent tax, and shall not exceed ninety percent (90%) of the actual collections of additional back taxes legally accrued to and credited to the same fund account of the immediately preceding fiscal year.

Fourth: Add to the remainder a reserve for delinquent taxes, the amount of which reserve shall be determined by the excise board, except for any municipality which has opted by resolution to come under the provisions of Section 11-17-201 et seq. of Title 11 of the

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

Oklahoma Statutes, in which case the governing body of such municipality shall determine the needs of the municipality for sinking fund purposes, after taking into consideration the amount of uncollected taxes for the previous year or years; provided that the reserve so added shall not exceed twenty percent (20%) or be less than five percent (5%); and provided, further, that the reserve so added shall not be subject to review.

Title 68 O.S. § 3002.A states:

Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

Condition: The County's 2007-08 Estimate of Needs and Financial Statement for the fiscal year 2006-07 filed by the Board of County Commissioners reflect the following errors:

General Fund

- 1) Warrants outstanding were not carried forward correctly from the prior year budget.

2006 Outstanding Warrants	\$90,425.50
2007 Prior Year Outstanding Warrants	<u>\$95,425.50</u>
Variance	\$ 5,000.00

- 2) Outstanding warrants per budget at June 30, 2007, were \$54,712.25 and the County records show \$64,383.87, a difference of \$9,671.62.

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

- 3) Ad Valorem net valuation reflected on the Estimate of Needs did not agree with the Assessor's Certified Report to the Excise Board.

Estimate of Needs	\$244,640,853
Assessor's Report	<u>\$244,954,780</u>
Variance	\$ 313,927

The Estimate of Needs Highway Fund had variances in the beginning balance, disbursements, and ending balance as compared to the County's records. Also, the Health Fund had a variance in apportionments compared to the amount the County's records show apportioned.

Highway	Beginning Balance	Apportionments	Disbursements	Ending Balance
County balance	2,523,807	4,071,571	4,175,398	2,419,980
Budget balance	2,517,557	4,071,571	4,192,847	2,395,703
Variance	(6,250)	-	17,449	(24,277)

Health	Beginning Balance	Apportionments	Disbursements	Ending Balance
County balance	510,285	653,483	464,638	699,130
Budget balance	510,285	640,785	464,638	686,432
Variance	-	(12,698)	-	(12,698)

The original appropriations per the Estimate of Needs for the General, Highway, and Health Department funds, fiscal year ending June 30, 2007, did not agree to the amount approved by the County Excise Board as reported on the Estimate of Needs for fiscal year ending June 30, 2006.

Fund	Approved by Excise Board (2006 Estimate of Needs)	Original Appropriations (2007 Estimate of Needs)	Variance
General	3,517,295	3,519,595	2,300
Highway	2,012,001	5,543,557	3,531,556
Health	973,490	979,992	6,502

Effect: This condition results in an incorrect Estimate of Needs being approved by the Excise Board.

Recommendation: OSAI recommends the Excise Board review the Estimate of Needs prior to approval to ensure that all exhibits are accurately presented.

Management Response: District 1 plans to review the budget to verify that amounts are accurate. District 2 will review the estimate of needs for accuracy in the future. The County Clerk will start reviewing for accuracy and will talk to the budget director about past problems.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV