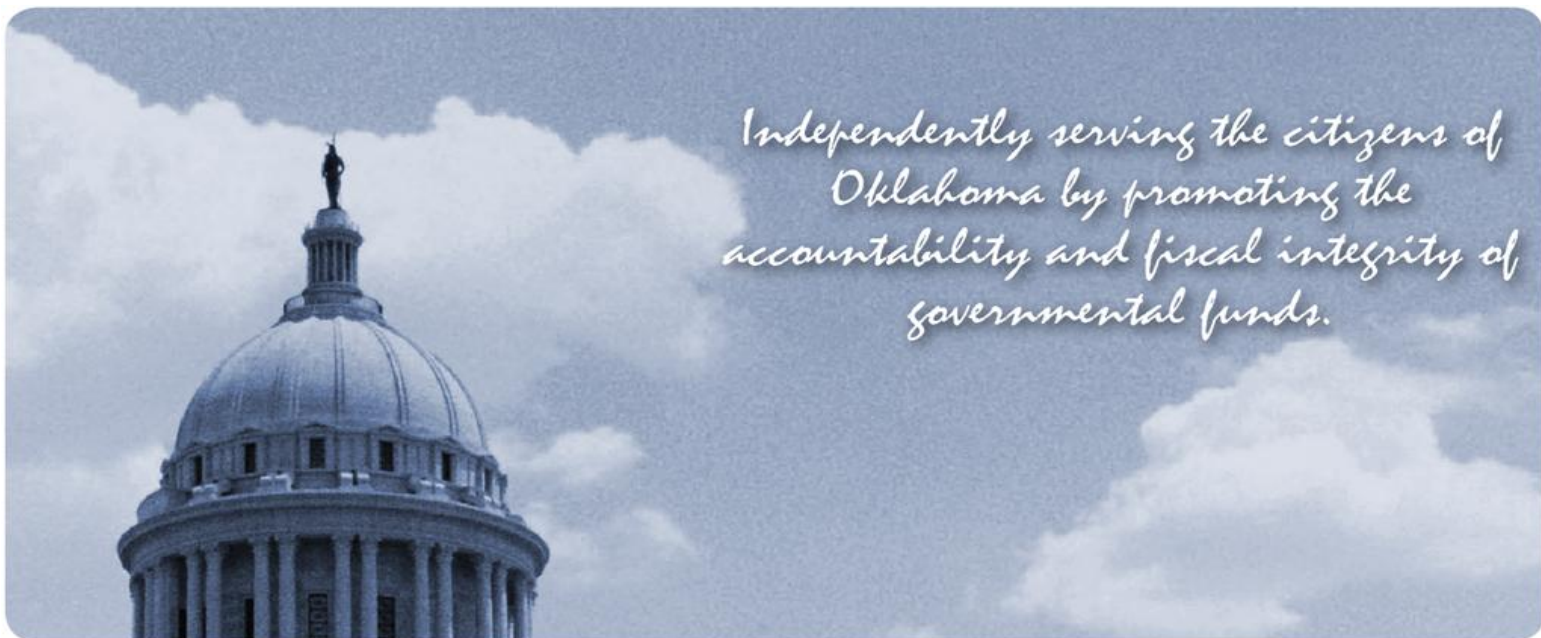


COUNTY AUDIT

POTTAWATOMIE COUNTY

For the fiscal year ended June 30, 2015



*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, 2015**

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

January 26, 2016

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma for the fiscal year ended June 30, 2015. 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

**POTTAWATOMIE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution.....	v
Sales Tax Distribution.....	vi
Assessed Value of Property Trend Analysis.....	vii
County Payroll Expenditures Analysis.....	viii
County General Fund Analysis.....	ix
County Highway Fund Analysis.....	x

FINANCIAL SECTION

Report of State Auditor and Inspector.....	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund.....	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds.....	13
Notes to Other Supplementary Information.....	14

**POTTAWATOMIE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

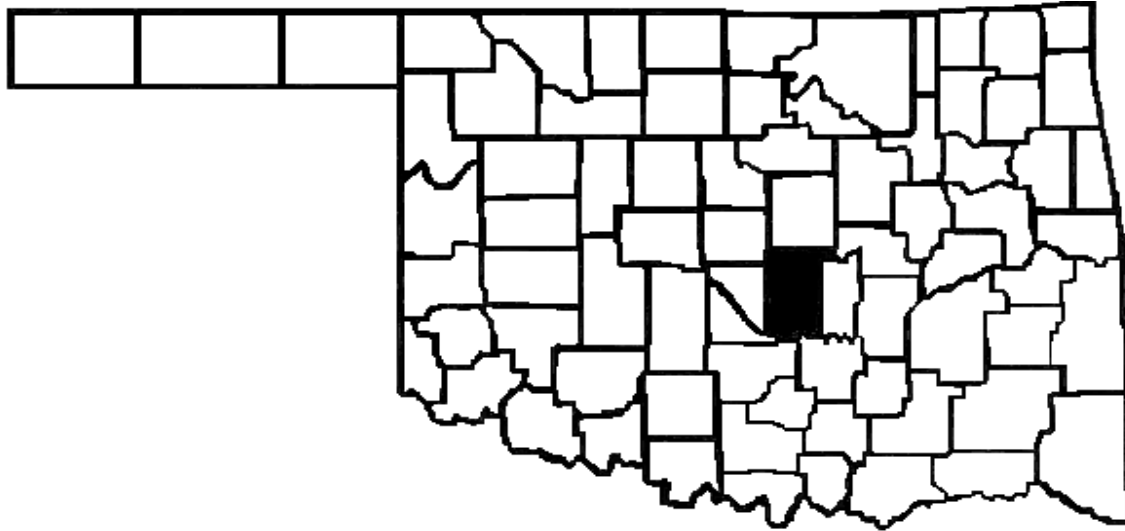
INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards..... 17

Schedule of Findings and Responses..... 19

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - x
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**POTTAWATOMIE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



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 captiol. 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 – 71,811
(2014 est.)

Farms – 1,643

Land in Farms – 335,240 Acres

Primary Source: Oklahoma Almanac 2015-2016

**POTTAWATOMIE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Melissa Dennis
District 2 – Randy Thomas
District 3 – Eddie Stackhouse

County Assessor

Troyce King

County Clerk

Raeshel Flewallen

County Sheriff

Mike Booth

County Treasurer

Wendy Magnus

Court Clerk

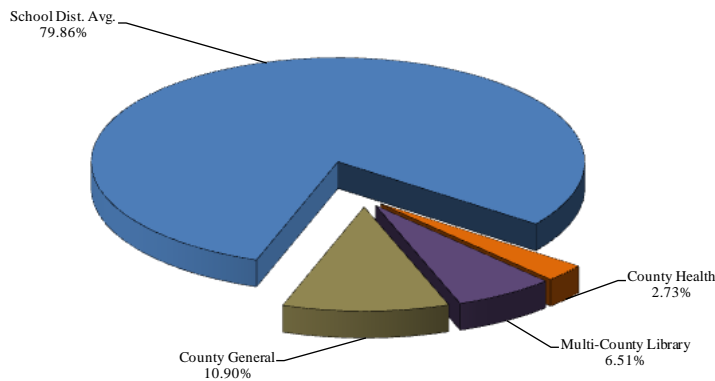
Valerie Ueltzen

District Attorney

Richard Smothermon

**POTTAWATOMIE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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						
						Career			
			Gen.	Bldg.	Skg.	Tech	Common	Total	
County General	10.15								
County Health	2.54	McLoud	I-1	35.66	5.09	14.19	15.18	4.06	74.18
Multi-County Library	6.06	Dale	I-2	35.82	5.12	17.62	15.18	4.06	77.80
		Bethel	I-3	35.77	5.11	18.46	15.18	4.06	78.58
		Macomb	I-4	35.94	5.13	-	15.18	4.06	60.31
Other		Earlsboro	I-5	35.88	5.13	19.52	15.18	4.06	79.77
City Sinking - OKC	15.45	Tecumseh	I-92	35.71	5.10	15.76	15.18	4.06	75.81
		Shawnee	I-93	35.31	5.04	21.68	15.18	4.06	81.27
		Asher	I-112	36.16	5.17	27.48	15.18	4.06	88.05
		Wannette	I-115	36.17	5.17	3.40	11.30	4.06	60.10
		Maud	I-117	35.94	5.13	15.73	15.18	4.06	76.04
		North Rock Creek	C-10	35.20	5.03	15.74	15.18	4.06	75.21
		Grove	C-27	35.48	5.07	6.03	15.18	4.06	65.82
		Pleasant Grove	C-29	35.49	5.07	11.18	15.18	4.06	70.98
		South Rock Creek	C-32	35.77	5.11	17.04	15.18	4.06	77.16
		Seminole County	JT-4	36.17	5.17	9.19	15.18	4.06	69.77
		Oklahoma County	JT-7	35.93	5.13	21.74	15.88	4.06	82.74
		Seminole County	JT-14	35.81	5.12	3.26	15.18	4.06	63.43
		Cleveland County	JT-70	35.32	5.05	24.21	11.30	4.06	79.94
		Lincoln County	JT-95	36.28	5.18	10.15	15.18	4.06	70.85
		Lincoln County	JT-103	36.62	5.23	18.50	15.18	4.06	79.59

**POTTAWATOMIE COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax

Sales Tax of August 26, 2006

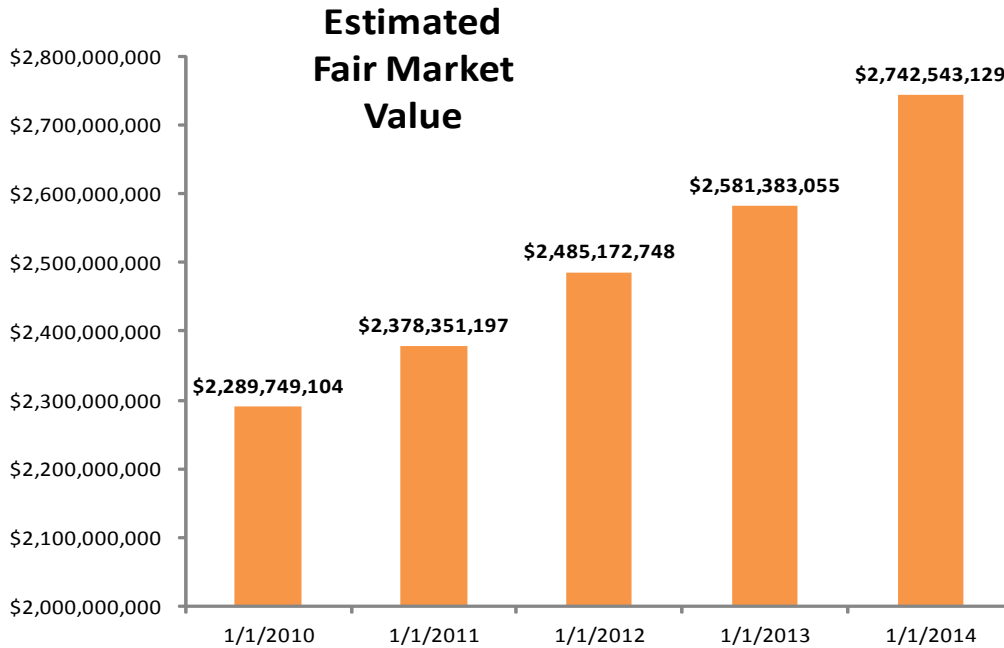
The voters of Pottawatomie County approved a permanent one percent (1%) sales tax effective July 1, 2013. This sales tax was established to provide revenue for the following:

Revenue Use	Total Collection
60% Maintenance, repair and improvement of county roads and bridges	\$4,637,106
20% Construction, furnishing, operating and maintaining the Pottawatomie County Public Safety Center jail facility operated by the Pottawatomie County Public Safety Center Trust	\$1,545,702
7% Pottawatomie County Fire Departments	\$540,996
1.0625% Sheriff's Office Emergency services	\$82,115
1.0625% County Ambulance Service	\$82,115
1.0625% County E-911 Service	\$82,115
1.0625% Additional County Emergency Services	\$82,115
2% Economic Development	\$154,570
2.75% OSU Extension Center	\$212,534
2% Senior Citizens	\$154,570
1% Soil Conservation Service	\$77,285
1% Pottawatomie County Free Fair/Junior Livestock Show	\$77,285

During the fiscal year the County collected \$7,728,508 in total sales tax. These funds will be accounted for in separate sales tax funds. These funds are accounted for in the following funds: Sales Tax Maintenance/Repair/Improvements fund, Sales Tax Pottawatomie County Fire Department fund, Sales Tax Emergency Services fund, Sales Tax Economic Development fund, Sales Tax OSU Extension Center fund, Sales Tax Soil Conservation fund, Sales Tax Pottawatomie County Free Fair fund, Sales Tax Senior Citizens fund, and the Sales Tax Pottawatomie County Public Safety fund.

**POTTAWATOMIE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

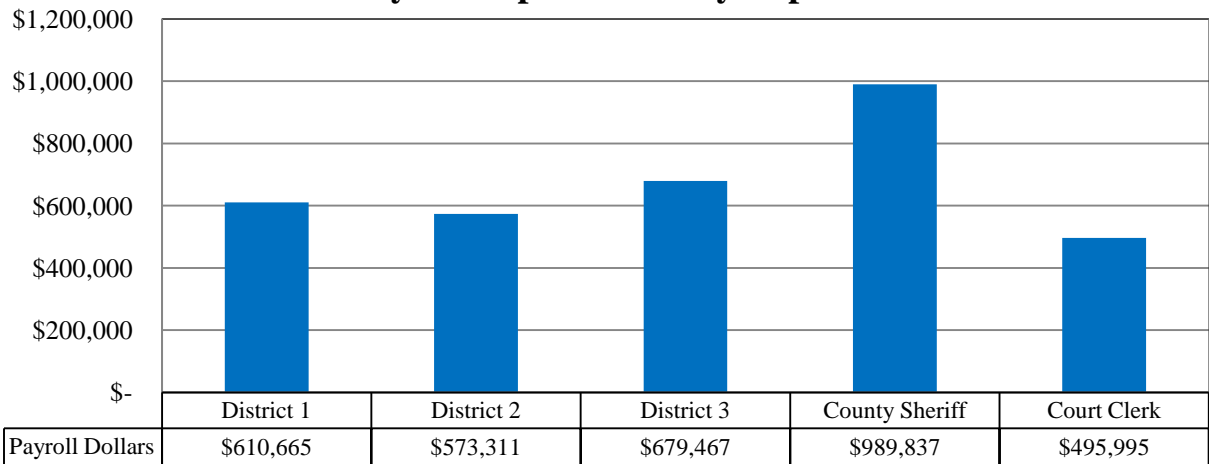
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$49,652,300	\$53,210,579	\$257,522,109	\$18,683,279	\$341,701,709	\$2,742,543,129
1/1/2013	\$49,560,879	\$34,668,965	\$266,465,931	\$18,387,901	\$332,307,874	\$2,581,383,055
1/1/2012	\$44,386,668	\$36,160,614	\$258,767,351	\$18,316,308	\$320,998,325	\$2,485,172,748
1/1/2011	\$47,428,284	\$33,019,378	\$244,264,761	\$17,526,002	\$307,186,421	\$2,378,351,197
1/1/2010	\$46,513,976	\$31,782,073	\$234,866,117	\$17,301,023	\$295,861,143	\$2,289,749,104



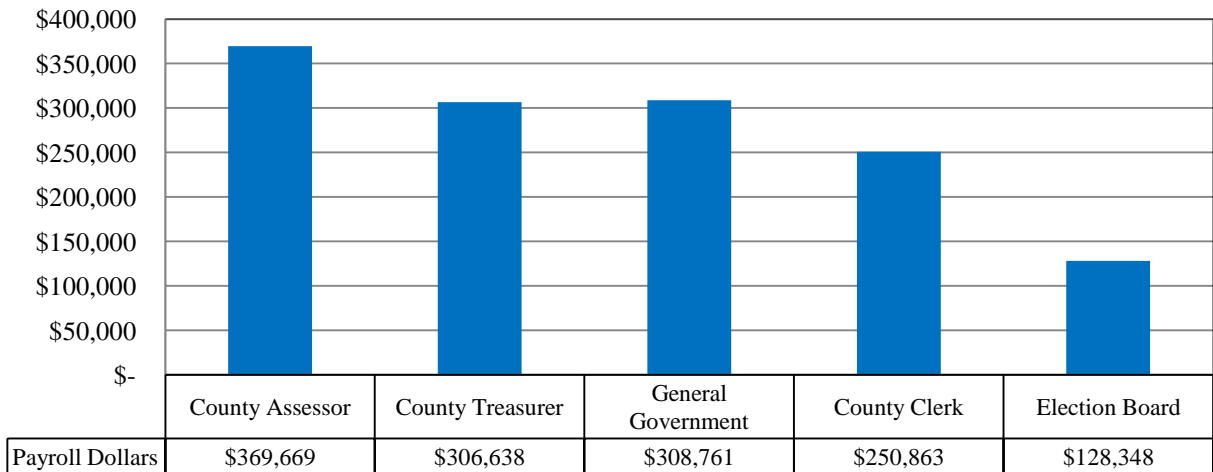
**POTTAWATOMIE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



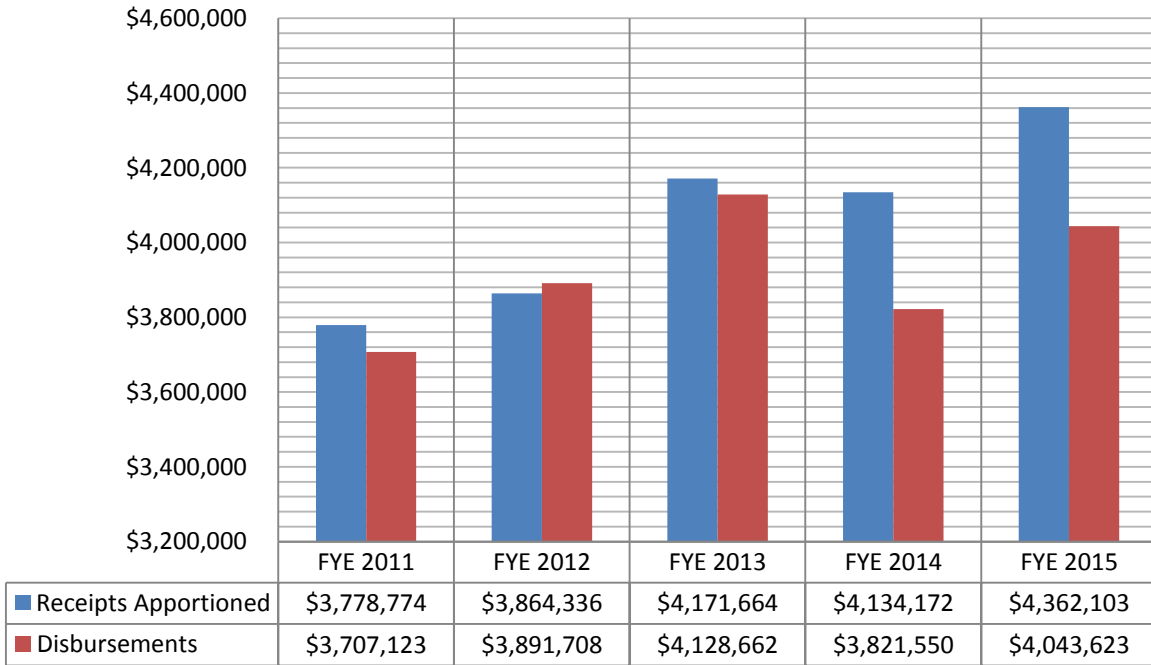
Payroll Expenditures by Department



**POTTAWATOMIE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

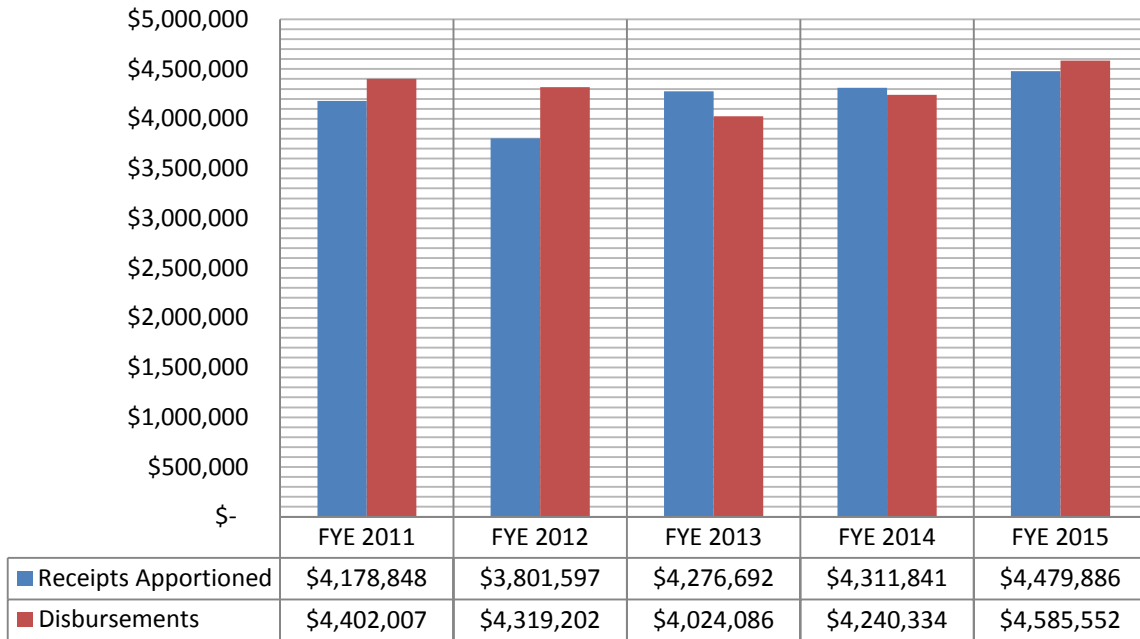
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**POTTAWATOMIE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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
POTTAWATOMIE COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pottawatomie County, Oklahoma, as of and for the year ended June 30, 2015, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Pottawatomie County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The

effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pottawatomie County as of June 30, 2015, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

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 Pottawatomie County, for the year ended June 30, 2015, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. 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 financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, 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 subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016, 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 in considering Pottawatomie County's internal control over financial reporting and compliance.

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

January 25, 2016

REGULATORY BASIS FINANCIAL STATEMENT

**POTTAWATOMIE 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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
Major Funds:						
County General Fund	\$ 1,027,232	\$ 4,362,103	\$ 700,000	\$ 700,000	\$ 4,043,623	\$ 1,345,712
County Highway	2,205,775	4,479,886	700,000	700,000	4,585,552	2,100,109
County Health	936,521	925,276	-	-	910,043	951,754
Resale Property	499,584	385,479	-	-	276,354	608,709
Sheriff Service Fee	51,505	314,905	-	-	267,527	98,883
Sales Tax Maintenance/Repair/Improvements	4,933,897	4,897,276	-	-	5,650,168	4,181,005
Sales Tax Pottawatomie County Fire Department	1,223,784	559,248	-	-	462,912	1,320,120
Sales Tax Emergency Services	400,385	330,537	-	-	160,668	570,254
Sales Tax Economic Development	1,086,615	159,086	-	-	400,000	845,701
Sales Tax OSU Extension Center	407,717	214,366	-	-	189,171	432,912
Sales Tax Soil Conservation	72,511	94,213	-	-	107,303	59,421
Sales Tax Pottawatomie County Free Fair	122,815	77,799	-	-	117,792	82,822
Sales Tax Senior Citizens	291,322	156,270	-	-	123,651	323,941
Use Tax Capital Improvements (Courthouse Capital Imp)	4,564,345	1,580,552	-	-	2,228,686	3,916,211
County Sinking	46,764	-	-	-	-	46,764
Sales Tax Pottawatomie County Public Safety	125,273	1,547,168	-	-	1,546,879	125,562
County Bridge and Road Improvement Fund	1,209,771	454,195	-	-	228,505	1,435,461
Remaining Aggregate Funds	409,880	680,132	-	-	636,889	453,123
Combined Total - All County Funds	\$ 19,615,696	\$ 21,218,491	\$ 1,400,000	\$ 1,400,000	\$ 21,935,723	\$ 18,898,464

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, 2015**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pottawatomie 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 libraries, 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 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. Disbursements are for the operation of the county health department.

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

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 Departments.

Sales Tax Emergency Services – accounts for the collection of sales tax to be disbursed for emergency services including the sheriff’s office, ambulance service, County E-911, and additional County 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 soil conservation service.

Sales Tax Pottawatomie County Free Fair – accounts for the collection of sales tax to be disbursed for the free fair.

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

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

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

Sales Tax Pottawatomie County Public Safety – accounts for the collection of sales tax to be disbursed for building and operating the county jail.

County Bridge and Road Improvement Fund – accounts for grant monies to be disbursed as restricted by the grant agreement.

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

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

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.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2. Ad Valorem Tax

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

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

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.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

C. Contingent Liabilities

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

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

D. Sales Tax

The voters of Pottawatomie County approved a permanent one percent (1%) sales tax effective July 1, 2013. This sales tax was established to provide revenue for: 60%, 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; 1.0625% Sheriff's office emergency services; 1.0625% County ambulance service; 1.0625%, County E-911; 1.0625% additional County emergency service; 2%, economic development; 2.75% OSU Extension Center; 2%, senior citizens; 1% soil conservation services; and 1% Pottawatomie County Free Fair/Junior Livestock Show. These funds are accounted for in the following funds: Sales Tax Maintenance/Repair/Improvements fund, Sales Tax Pottawatomie County Fire Department fund, Sales Tax Emergency Services fund, Sales Tax Economic Development fund, Sales Tax OSU Extension Center fund, Sales Tax Soil Conservation fund, Sales Tax Pottawatomie County Free Fair fund, Sales Tax Senior Citizens fund, and the Sales Tax Pottawatomie County Public Safety fund.

E. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$700,000 to the County General Fund from the County Highway fund to cover non-payable warrants issued from the County General Fund.
- \$700,000 from the County General Fund to reimburse the County Highway fund after adequate ad valorem tax collections were apportioned to the County General Fund.

OTHER SUPPLEMENTARY INFORMATION

**POTTAWATOMIE 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, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,027,232	\$ 1,027,232	\$ -
Less: Prior Year Outstanding Warrants	(142,652)	(142,652)	-
Less: Prior Year Encumbrances	(175,949)	(87,185)	88,764
Beginning Cash Balances, Budgetary Basis	<u>708,631</u>	<u>797,395</u>	<u>88,764</u>
Receipts:			
Ad Valorem Taxes	3,152,975	3,450,993	298,018
Charges for Services	200,640	180,373	(20,267)
Intergovernmental Revenues	635,945	672,778	36,833
Miscellaneous Revenues	26,840	57,959	31,119
Total Receipts, Budgetary Basis	<u>4,016,400</u>	<u>4,362,103</u>	<u>345,703</u>
Expenditures:			
District Attorney - County	74,520	71,750	2,770
County Sheriff	1,125,729	1,109,502	16,227
County Treasurer	189,631	188,674	957
County Clerk	364,075	363,902	173
Court Clerk	410,090	410,087	3
County Assessor	333,604	328,499	5,105
Revaluation of Real Property	425,219	415,779	9,440
Juvenile Shelter Bureau	45,000	30,342	14,658
General Government	1,459,635	902,404	557,231
Excise-Equalization Board	5,000	3,659	1,341
County Election Board	179,260	179,100	160
Treasurer School	25,000	24,488	512
Community Service	30,000	29,643	357
County Audit Budget Account	53,268	53,268	-
Free Fair Budget Account	5,000	5,000	-
Total Expenditures, Budgetary Basis	<u>4,725,031</u>	<u>4,116,097</u>	<u>608,934</u>

Continued on next page

**POTTAWATOMIE 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, 2015**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,043,401	\$ 1,043,401
Operating Transfers:			
Operating Transfers In		700,000	
Operating Transfers Out		(700,000)	
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		650	
Add: Current Year Outstanding Warrants		110,028	
Add: Current Year Encumbrances		191,633	
Ending Cash Balance		\$ 1,345,712	

**POTTAWATOMIE 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, 2015**

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 936,521	\$ 936,521	\$ -
Less: Prior Year Outstanding Warrants	(54,003)	(54,003)	-
Less: Prior Year Encumbrances	(18,984)	(13,958)	5,026
Beginning Cash Balances, Budgetary Basis	863,534	868,560	5,026
Receipts:			
Ad Valorem Taxes	789,020	863,598	74,578
Charges for Services	49,556	49,556	-
Intergovernmental Revenues	-	7,323	7,323
Miscellaneous Revenues	-	4,799	4,799
Total Receipts, Budgetary Basis	838,576	925,276	86,700
Expenditures:			
Health and Welfare	1,702,110	923,953	778,157
Total Expenditures, Budgetary Basis	1,702,110	923,953	778,157
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	869,883	\$ 869,883
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		15,133	
Add: Current Year Outstanding Warrants		66,738	
Ending Cash Balance		\$ 951,754	

POTTAWATOMIE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:				
Restricted Highway	\$ 3,914	\$ -	\$ -	\$ 3,914
Courthouse Renovation	3,960	-	-	3,960
Community Service Grant	14	-	-	14
County Assessor Fees	9,927	8,232	5,458	12,701
County Clerk Lien Fee	47,075	59,799	30,618	76,256
County Treasurer Mortgage Tax	11,194	11,404	12,992	9,606
Child Abuse Prevention	7,148	1,835	-	8,983
Self Insurance	1,037	-	-	1,037
Sheriff Training	51	-	-	51
Sheriff Drug Buy	380	-	-	380
Social Services Cash	2,148	9	-	2,157
Birdie Lane Road Improvement District	3,287	15	-	3,302
County Clerk Preservation Fee	129,280	85,692	84,642	130,330
CDBG (97-73) Bathroom	90	-	-	90
Community Sentencing	3,299	-	-	3,299
Pottawatomie County Drug Court	41,350	176,990	170,438	47,902
Law Enforcement Grant	53	-	-	53
Town of Johnson	293	-	-	293
Trash Cops Grant	123	-	-	123
Acme Road Building Maintenance	44,024	-	-	44,024
Sheriff Courthouse Security	6,941	25,213	18,393	13,761
Pottawatomie County 911 System	18,765	26,377	44,097	1,045
Pottawatomie County Wireless 911 System	31,103	182,261	182,352	31,012
County Rewards Revolving Fund	1,000	100	-	1,100
Sheriff Reserve Officers Program	14,310	45,000	45,330	13,980
Carter Hall Building Maintenance	16,424	24,000	10,332	30,092
Sheriff Part Time	12,690	-	5,230	7,460
VAWA Recovery Act	-	33,205	27,007	6,198
Combined Total - Remaining Aggregate Funds	\$ 409,880	\$ 680,132	\$ 636,889	\$ 453,123

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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:

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

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

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 as restricted by statute.

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 statute.

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

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

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

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Birdie Lane Road Improvement District – accounts for monies collected from property owners to pay off bonds that were obtained for road 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 (97-73) 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.

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

Trash Cops Grant – accounts for monies received by the Sheriff’s office for investigating illegal dumping.

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.

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

County Rewards Revolving Fund – accounts for fees received by the Court Clerk to pay littering rewards.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sheriff Reserve Officers Program – accounts for monies used for two Sheriff Reserve Officers in public schools. The officers are responsible for providing counseling and support for the Asher, Macomb, Dale, Earlsboro, and Bethel schools.

Carter Hall Building Maintenance – accounts for monies used for maintenance of the juvenile detention building.

Sheriff Part Time – accounts for monies to pay salary of part-time Sheriff's deputy for the District Attorney.

VAWA Recovery Act – accounts for grant monies to be disbursed as restricted by grant agreement.

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

Independent Auditor's 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, in accordance with the 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, the combined total—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, 2015, which comprises Pottawatomie County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 25, 2016.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than 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, 2015, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Pottawatomie County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Pottawatomie County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pottawatomie County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2015-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pottawatomie County's financial statement is free from 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 regarding statutory compliance 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 Findings

Pottawatomie County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Pottawatomie County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable 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.



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

January 25, 2016

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015-1— Inadequate County-wide Controls and Disaster Recovery Plan (Repeat Finding)

Condition: County-wide controls regarding Risk Assessment and Monitoring have not been designed. Further, the County Commissioners, County Treasurer, County Assessor, County Sheriff, and Court Clerk do not have a written Disaster Recovery Plan.

Cause of Condition: Policies and procedures have not been designed to address risks of the County.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, these conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency and/or disaster.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

OSAI also recommends that each elected official develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery of the operating system, application, data files, operating manuals, and program/system/user documentation.
- Alternative work locations once IT resources are available.

Management Response:

County Commissioner District 1, District 2, and District 3: We will set up quarterly meetings, during the County Commissioners' meeting, with all elected officials to discuss and take action regarding risk management and monitoring. The Board of County Commissioners will work to create a Disaster Recovery Plan for each District and work with all officials to ensure that each office has a Disaster Recovery Plan and that they are all filed with the County Clerk.

County Treasurer: Our software provider maintains an off-site backup and understands what would be required to restore all critical information in the event of a disaster. I will complete a written Disaster Recovery plan and file it with the County Clerk.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Assessor: Our software provider maintains an off-site backup and understands what would be required to restore all critical information in the event of a disaster. I will complete a written Disaster Recovery plan and file it with the County Clerk.

County Sheriff: The Pottawatomie County Sheriff's Office will develop a written Disaster Recovery plan for the safeguarding of assets to ensure that business would continue as usual in the event of a disaster and file it with the County Clerk.

Court Clerk: Our software provider maintains an off-site backup and understands what would be required to restore all critical information in the event of a disaster. I will complete a written Disaster Recovery plan and file it with the County Clerk.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

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 2015-2—Inadequate Internal Controls and Noncompliance over Fixed Assets and Consumable Inventory (Repeat Finding)

Condition: Upon inquiry and observation of fixed assets and consumable inventory records, the following weaknesses were noted:

- The offices of County Assessor, County Clerk, County Sheriff, District 1, and District 2 have not designed policies and procedures to perform and document an annual physical inventory of all fixed assets.
- Policies and procedures have not been designed to ensure that county-owned assets are clearly marked with the county identification number and/or "Property of Pottawatomie County," for District 1.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

We judgmentally selected a sample of assets from the inventory listings provided to test compliance with 19 O.S. § 178.1 and 69 O.S. § 645. The following exceptions were noted:

Four (4) Items were not visibly marked with “Property of Pottawatomie County”

County Identification Number	Description of Item	County Office
D1-320-003	2000 Dynapak Sheepsfoot	District 1
D1-320-006	Steel Wheel Roller	District 1
D1-332-004	Kobelco Trackhoe	District 1
D1-349-016	2016 Armor Lite	District 1

Additionally of the twenty-one (21) consumable items tested, the following was noted:

District Office	Description	Amount on Inventory	Amount Visually Verified
District 1	5x8x7 Grader Blades	32	24

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over inventory.

Effect of Condition: This condition could result in inaccurate inventory records, improper use of fixed and consumable assets or loss of fixed and consumable assets.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed asset records to ensure all fixed assets are properly marked with county identification numbers in accordance with 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1) and further, any fixed assets required, are properly identify with “Property of Pottawatomie County” in accordance with 69 O.S. § 645.

Further, OSAI recommends the County adopt policies and procedures to implement a system of internal controls over fixed assets and consumable inventory records. These controls would include:

- Perform an annual visual inspection of all fixed assets.
- The annual review duty and inventory control duty should be performed by separate employees in order to effectively segregate those duties.
- Annual reviews should be signed and dated by the reviewer and filed with the County Clerk.
- Perform a monthly consumable inventory count.
- The monthly review duty should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls.
- The key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Management Response:

County Assessor: We will complete annual inventory counts and file the results with the County Clerk's office.

County Clerk: We will complete annual inventory counts.

County Sheriff: We will complete annual inventory counts and file the results with the County Clerk's office.

Commissioner District 1: We have visibly marked all fixed assets with "Property of Pottawatomie County", and will complete annual inventory counts and file the results with the County Clerk's office.

Commissioner District 2: We will complete annual inventory counts and file the results with the County Clerk's office.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important 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 transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 1502(A)(1), which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. §1502(B)(1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 69 O.S. § 645, all county owned, rented, or leased road machinery or equipment be clearly and visibly marked "Property Of..."



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV