


COUNTY AUDIT

POTTAWATOMIE COUNTY

For the fiscal year ended June 30, 2012



*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, 2012**

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

June 16, 2014

TO THE CITIZENS OF
POTTAWATOMIE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pottawatomie County, Oklahoma for the fiscal year ended June 30, 2012. 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", is written over a horizontal line.

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

**POTTAWATOMIE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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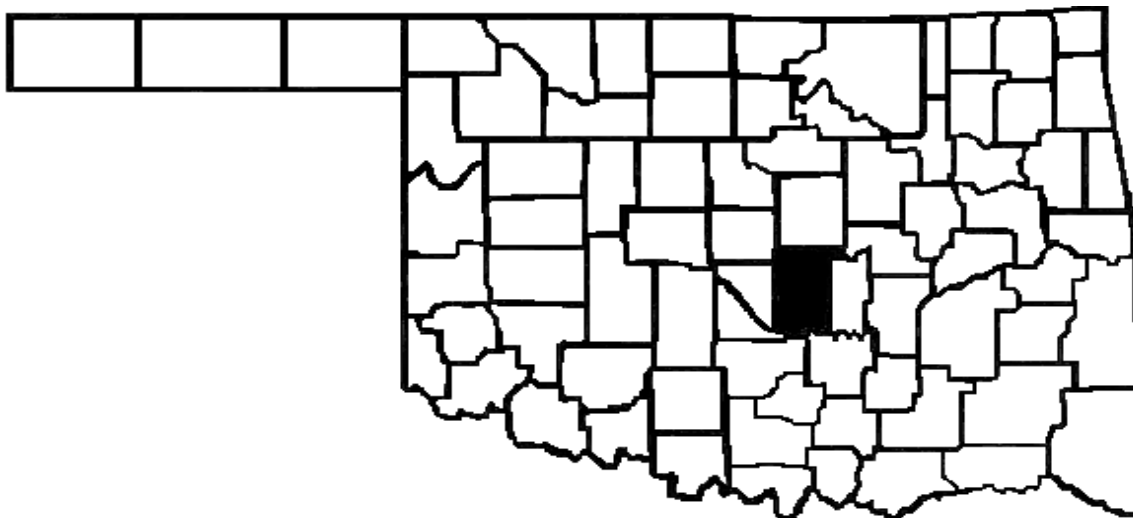
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**POTTAWATOMIE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



Settled by Seminole, Creek, Citizen Band Potawatomie, 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 competitions 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, Potawatomie, 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 – 70,274 (2009 est.)

Farms – 1,777

Land in Farms – 395,065 Acres

Primary Source: Oklahoma Almanac 2011-2012

**POTTAWATOMIE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Board of County Commissioners

District 1 – Melissa Dennis
District 2 – Jerry Richards
District 3 – Eddie Stackhouse

County Assessor

Troyce King

County Clerk

Nancy Bryce

County Sheriff

Mike Booth

County Treasurer

Wendy Magnus

Court Clerk

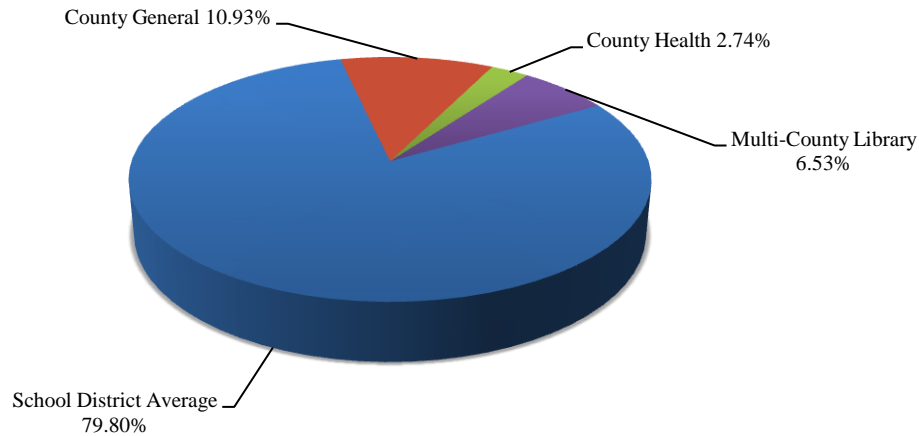
Reta Head

District Attorney

Richard Smothermon

**POTTAWATOMIE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

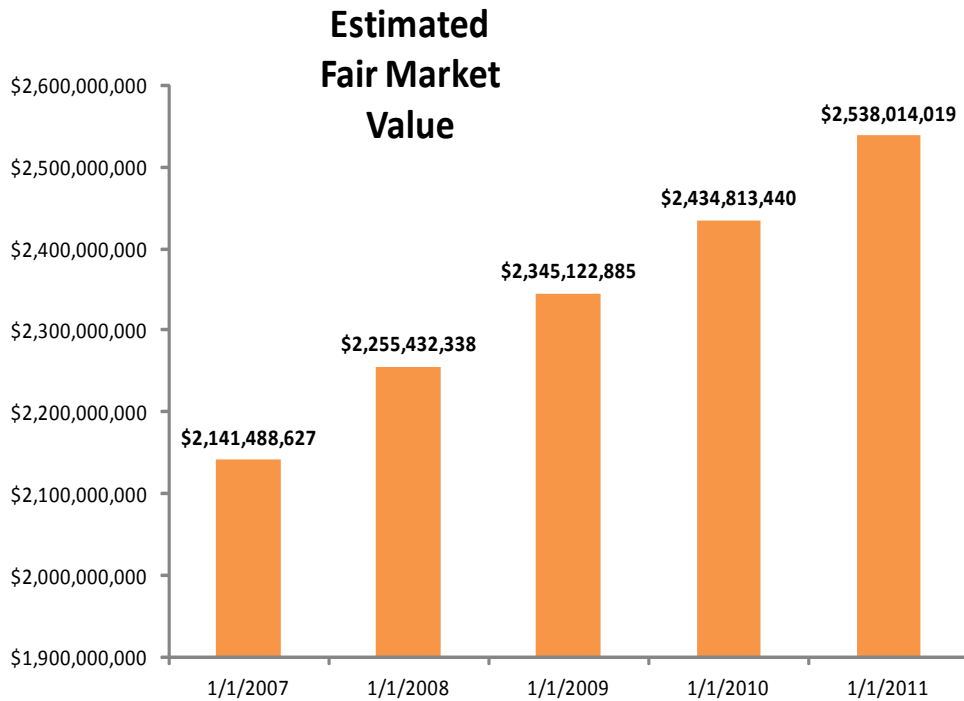
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.15								
County Health	2.54	McLoud	I-1	35.66	5.09	6.20	15.18	4.06	66.19
County Library	6.06	Dale	I-2	35.82	5.12	20.79	15.18	4.06	80.97
		Bethel	I-3	35.77	5.11	24.08	15.18	4.06	84.20
		Macomb	I-4	35.94	5.13	10.02	15.18	4.06	70.33
Other		Earlsboro	I-5	35.88	5.13	-	15.18	4.06	60.25
City Sinking - OKC	15.98	Tecumseh	I-92	35.71	5.10	17.62	15.18	4.06	77.67
		Shawnee	I-93	35.31	5.04	23.15	15.18	4.06	82.74
		Asher	I-112	36.16	5.17	33.84	15.18	4.06	94.41
		Wannette	I-115	36.17	5.17	20.47	11.30	4.06	77.17
		Maud	I-117	35.94	5.13	-	15.18	4.06	60.31
		North Rock Creek	C-10	35.20	5.03	16.50	15.18	4.06	75.97
		Grove	C-27	35.48	5.07	6.60	15.18	4.06	66.39
		Pleasant Grove	C-29	35.46	5.07	12.77	15.18	4.06	72.54
		South Rock Creek	C-32	35.77	5.11	4.90	15.18	4.06	65.02
		Seminole County	JT-4	36.17	5.17	9.98	15.18	4.06	70.56
		Oklahoma County	JT-7	35.93	5.13	19.99	15.93	4.06	81.04
		Seminole County	JT-14	35.91	5.12	5.60	15.18	4.06	65.87
		Cleveland County	JT-70	35.32	5.05	14.65	11.30	4.06	70.38
		Lincoln County	JT-95	36.28	5.18	13.66	15.18	4.06	74.36
		Lincoln County	JT-103	36.62	5.23	24.72	15.18	4.06	85.81

**POTTAWATOMIE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

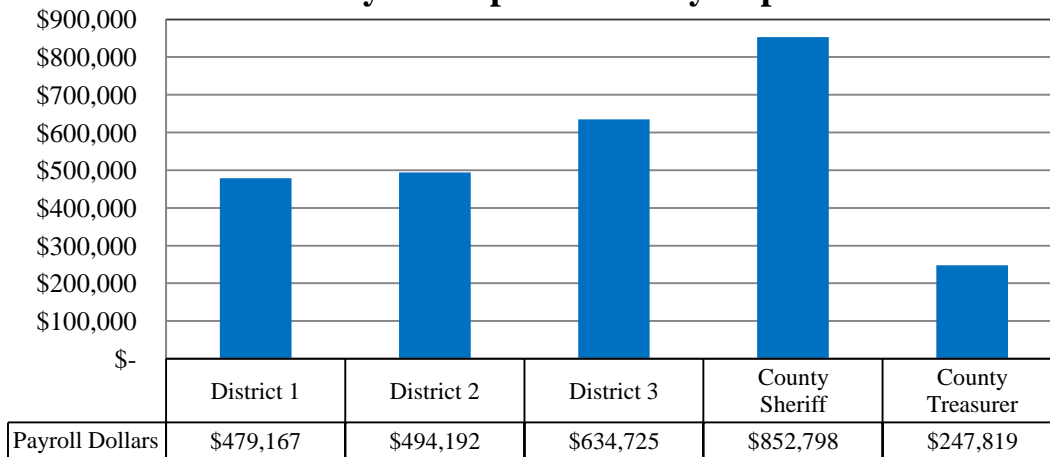
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$44,386,668	\$36,160,614	\$240,451,043	\$18,316,308	\$302,682,017	\$2,538,014,019
1/1/2010	\$47,428,284	\$33,019,378	\$226,738,759	\$17,526,002	\$289,660,419	\$2,434,813,440
1/1/2009	\$46,513,976	\$31,782,073	\$217,565,094	\$17,301,023	\$278,560,120	\$2,345,122,885
1/1/2008	\$45,599,668	\$30,544,768	\$208,391,430	\$17,076,045	\$267,459,821	\$2,255,432,338
1/1/2007	\$41,345,346	\$32,180,021	\$198,733,497	\$16,763,001	\$255,495,863	\$2,141,488,627



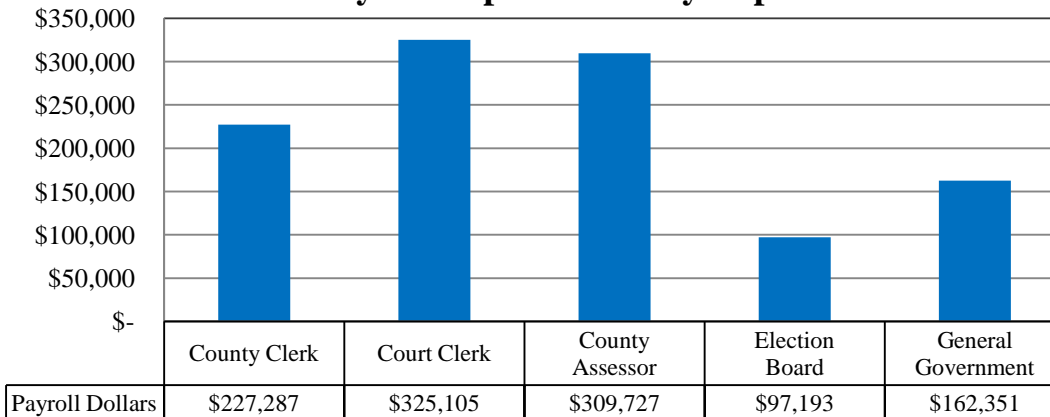
**POTTAWATOMIE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012.

Payroll Expenditures by Department



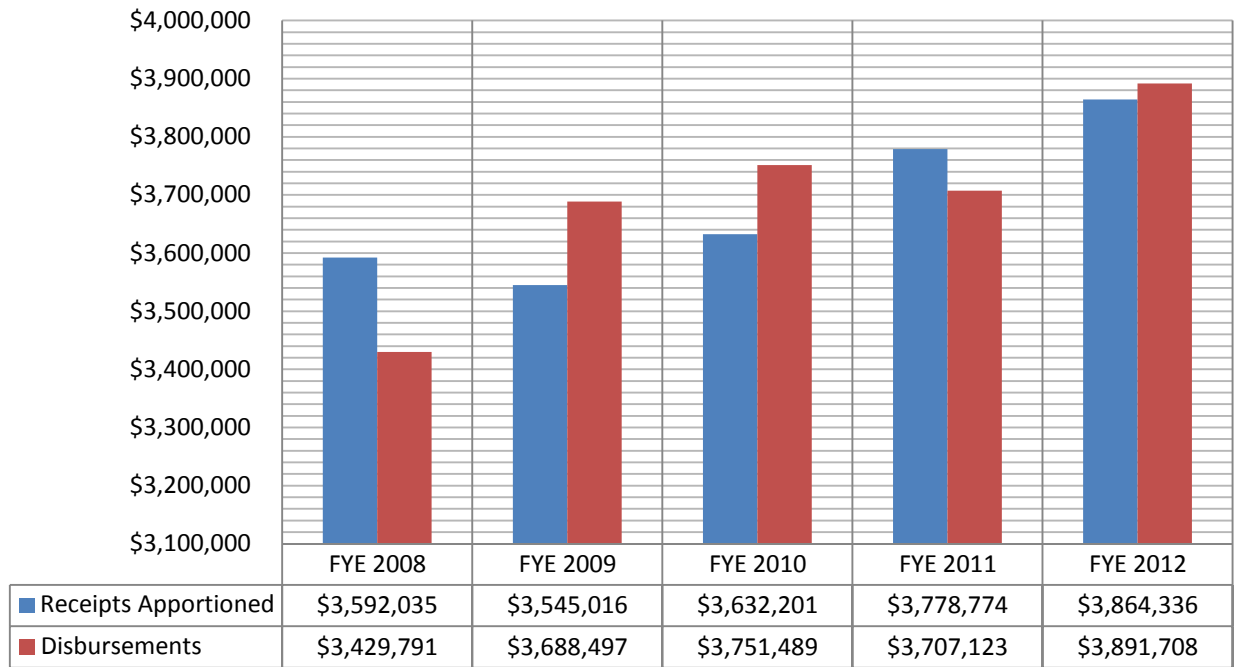
Payroll Expenditures by Department



**POTTAWATOMIE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County General Fund

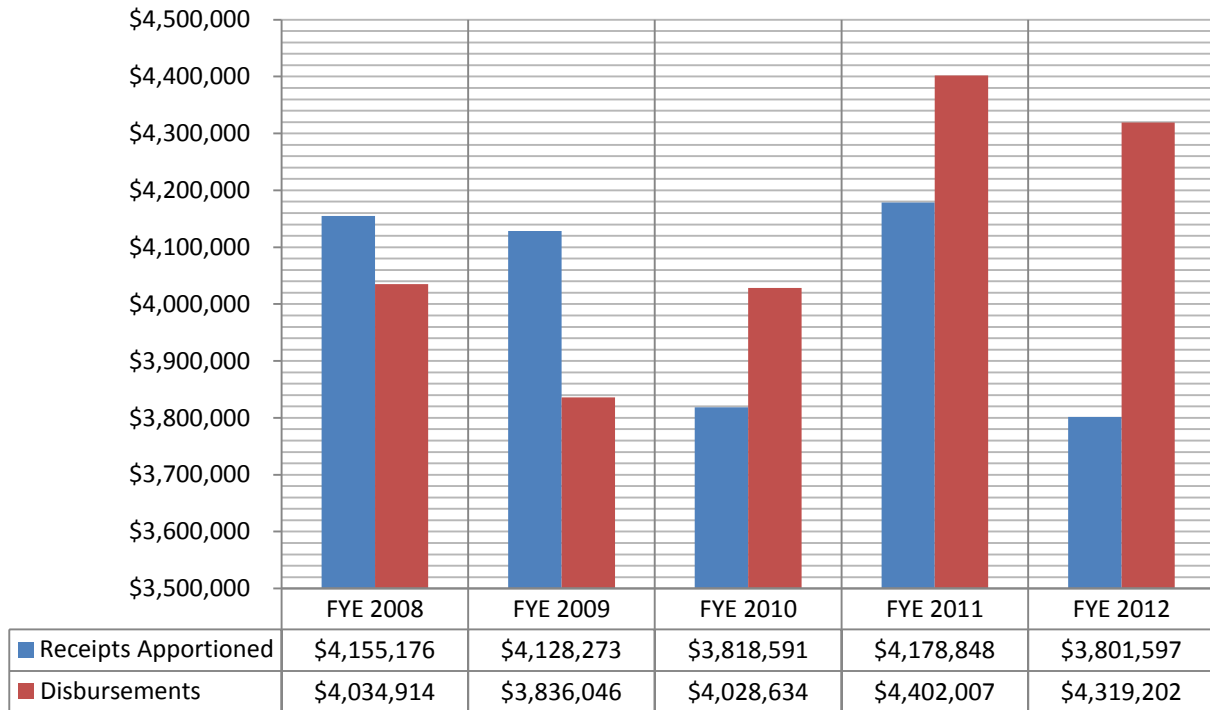
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also 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, 2012**

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

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, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Pottawatomie County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pottawatomie County as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Pottawatomie County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2014, 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 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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

June 2, 2014

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, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General Fund	\$ 698,980	\$ 3,864,336	\$ 1,200,000	\$ 1,200,000	\$ 3,891,708	\$ 671,608
County Highway	2,399,267	3,801,597	1,200,000	1,200,000	4,319,202	1,881,662
County Health	683,627	773,328	-	-	393,670	1,063,285
County Sinking	46,759	-	-	-	-	46,759
Sales Tax Maintenance/Repair/Improvements	3,571,818	5,192,223	-	-	4,395,928	4,368,113
Sales Tax Pottawatomie County Fire Department	1,051,254	538,920	-	-	677,778	912,396
Sales Tax Emergency Services	405,038	268,917	-	-	310,362	363,593
Sales Tax Economic Development	920,428	213,155	-	-	400,000	733,583
Sales Tax OSU Extension Center	207,385	191,318	-	-	142,362	256,341
Sales Tax Soil Conservation	115,632	76,822	-	-	66,926	125,528
Sales Tax Pottawatomie County Free Fair	140,958	76,987	-	-	88,738	129,207
Sales Tax Senior Citizens	218,643	153,857	-	-	147,272	225,228
Use Tax Capital Improvements (Courthouse Capital Impr.)	28,327	378,546	-	-	345,107	61,766
Sales Tax Pottawatomie County Public Safety	113,310	1,514,583	-	-	1,380,829	247,064
Sales Tax Capital Improvements Jail/Highway	2,611,741	882,402	-	-	152,422	3,341,721
Remaining Aggregate Funds	2,036,689	1,882,559	-	-	1,929,105	1,990,143
Combined Total - All County Funds	<u>\$ 15,249,856</u>	<u>\$ 19,809,550</u>	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 18,641,409</u>	<u>\$ 16,417,997</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, 2012**

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 from the operation of the county health department.

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 County General Fund.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 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 Capital Improvements (Courthouse Capital Impr.) – accounts for the collection of sales tax to be disbursed for capital 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.

C. Basis of Accounting

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. County governments (primary only) are required to

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012**

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, 2012**

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 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%, Pottawatomie County Public Safety Center jail facility capital improvements. These funds are accounted for in separate sales tax funds.

E. Interfund Transfers

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

- \$1,200,000 to the County General Fund from the County Highway fund to cover non-payable warrants issued from the County General Fund.
- \$1,200,000 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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 696,746	\$ 698,980	\$ 2,234
Less: Prior Year Outstanding Warrants	(80,968)	(80,968)	-
Less: Prior Year Encumbrances	(154,002)	(141,305)	12,697
Beginning Cash Balances, Budgetary Basis	461,776	476,707	14,931
Receipts:			
Ad Valorem Taxes	2,726,223	2,999,194	272,971
Charges for Services	262,390	279,718	17,328
Intergovernmental Revenues	510,972	545,496	34,524
Miscellaneous Revenues	47,304	39,928	(7,376)
Total Receipts, Budgetary Basis	3,546,889	3,864,336	317,447
Expenditures:			
County District Attorney	44,717	44,717	-
County Sheriff	1,028,475	1,028,089	386
County Treasurer	185,578	185,397	181
County Clerk	353,275	346,759	6,516
Court Clerk	376,991	375,068	1,923
County Assessor	230,500	229,806	694
Revaluation of Real Property	288,197	287,604	593
Juvenile Shelter Bureau	69,000	65,823	3,177
General Government	620,947	610,392	10,555
Excise - Equalization Board	3,000	2,827	173
County Election Board	167,688	163,786	3,902
Soil Conservation District	5,000	-	5,000
Treasurer School	20,000	19,927	73
Community Service	30,581	28,424	2,157
Gen Gov't. Pott. Co. Trust	507,500	507,500	-
County Audit Budget Acct	77,216	7,307	69,909
Total Expenditures, Budgetary Basis	4,008,665	3,903,426	105,239

Continued on next page

**POTTAWATOMIE COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
 GENERAL FUND - CONTINUED
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	437,617	\$ 437,617
Operating Transfers:			
Operating Transfers In		1,200,000	
Operating Transfers out		(1,200,000)	
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		110,556	
Add: Current Year Encumbrances		123,435	
Ending Cash Balance		\$ 671,608	

**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, 2012**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 683,626	\$ 683,627	\$ 1
Less: Prior Year Encumbrances	(38,026)	(38,026)	-
Less: Prior Years Outstanding Warrants	(59,367)	(15,676)	43,691
Beginning Cash Balances, Budgetary Basis	586,233	629,925	43,692
Receipts:			
Ad Valorem Taxes	681,915	750,537	68,622
Charges for Services	10,150	10,150	-
Intergovernmental	-	4,556	4,556
Miscellaneous Revenues	-	8,085	8,085
Total Receipts, Budgetary Basis	692,065	773,328	81,263
Expenditures:			
Health and Welfare	1,278,298	407,797	870,501
Total Expenditures, Budgetary Basis	1,278,298	407,797	870,501
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	995,456	\$ 995,456
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		14,131	
Add: Current Year Outstanding Warrants		53,698	
Ending Cash Balance		\$ 1,063,285	

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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Restricted Highway	\$ 3,914	\$ -	\$ -	\$ 3,914
Courthouse Renovation	3,960	-	-	3,960
Community Service Grant	14	-	-	14
County Assessor Fee	26,416	10,187	25,109	11,494
County Clerk Lien Fee	19,636	19,371	21,406	17,601
County Treasurer Mortgage Tax	9,330	12,025	10,493	10,862
Child Abuse Prevention	972	2,457	-	3,429
Self-Insurance	1,037	-	-	1,037
Sheriff Training	63	-	12	51
Sheriff Drug Buy	380	-	-	380
Social Services Cash	2,104	20	-	2,124
Birdie Lane Road Improvement District	3,221	31	-	3,252
County Clerk Preservation Fee	98,333	88,152	133,326	53,159
CDBG (97-73) Bathroom	90	-	-	90
Community Sentencing	3,299	-	-	3,299
Pottawatomie County Drug Court	56,029	195,859	206,901	44,987
Law Enforcement Grant	53	-	-	53
Town of Johnson	293	-	-	293
Trash Cops Grant	2,965	-	2,842	123
CDBG 59B	3,650	-	3,650	-
CDBG #11876	500	-	500	-
Acme Road Building Maintenance	39,688	11,160	254	50,594
Sheriff Courthouse Security	46,631	27,325	50,829	23,127
County Rewards Revolving Fund	593	100	-	693
Pottawatomie County Hazard Mitigation Fund	-	24,000	-	24,000
VAWA - Recovery Act	3,131	6,282	9,413	-
Resale Property	341,443	403,304	279,323	465,424
Sheriff Service Fee	81,823	216,744	240,344	58,223
Pottawatomie County 911 System	13,041	143,196	143,913	12,324
Pottawatomie County Wireless 911 System	16,551	161,936	164,370	14,117
County Bridge and Road Improvement Fund	1,036,729	560,410	598,634	998,505
Emergency Transportation Revolving Fund 1	90,000	-	37,786	52,214
Emergency Transportation Revolving Fund 2	65,400	-	-	65,400
Emergency Transportation Revolving Fund 3	65,400	-	-	65,400
Combined Total - Remaining Aggregate Funds	\$ 2,036,689	\$ 1,882,559	\$ 1,929,105	\$ 1,990,143

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 Fee – accounts for the collection of fees for copies as restricted by state statute.

County Clerk Lien Fee – accounts for lien fee 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 jurors' 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 drug forfeiture monies and disbursed for training purposes only.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Social Services Cash – accounts for rent paid to the County by DHS 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 (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.

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

Trash Cops Grant – accounts for monies received by the Sheriff’s office for a grant.

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

CDBG #11876 – accounts for grant monies to be disbursed as restricted by grant agreement.

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.

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

Pottawatomie County Hazard Mitigation Fund – accounts for federal funds received and disbursed for hazard mitigation

VAWA – Recovery Act – accounts for the Violence Against Women Act grant funds to be disbursed as restricted by grant agreement.

**POTTAWATOMIE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 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 Bridge and Road Improvement Fund – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Emergency Transportation Revolving Fund 1 – accounts for District 1 County Commissioners share of state funds from the Oklahoma Department of Transportation Emergency Transportation Revolving Fund to be disbursed on transportation projects that are on the County Highway System.

Emergency Transportation Revolving Fund 2 – accounts for District 2 County Commissioners share of state funds from the Oklahoma Department of Transportation Emergency Transportation Revolving Fund to be disbursed on transportation projects that are on the County Highway System.

Emergency Transportation Revolving Fund 3 – accounts for District 3 County Commissioners share of state funds from the Oklahoma Department of Transportation Emergency Transportation Revolving Fund to be disbursed on transportation projects that are on the County Highway System.

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, 2012, 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 June 2, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 Pottawatomie County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pottawatomie County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2012-1, 2012-2, and 2012-3.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 2012-6 and 2012-8.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-3.

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 management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

June 2, 2014

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 2012-1—Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the County.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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.

Management Response:

BOCC Chairman, County Clerk, and County Treasurer: We will meet quarterly in the County Commissioners’ meeting, with all elected officials, to discuss and take action regarding risk management and monitoring.

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 made. 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.

Finding 2012-2—Inadequate Segregation of Duties Over the Collection Process (Repeat Finding)

Condition: The County Treasurer has segregated the duties of preparing and reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts and prepare journal entries. In addition, all employees work from the same cash drawer and are able to void receipts. A daily mail log is not maintained, and there is no independent oversight of the accuracy of the compilation of the monthly reports.

Cause of Condition: In order to provide prompt services to the citizens of Pottawatomie County and for ease of operations, the County Treasurer’s office utilizes all employees to issue receipts. Additionally,

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

due to the limited number of personnel, one individual is sometimes responsible for all key functions of the office.

Effect of Condition: 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 the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing and reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition, OSAI recommends establishing a system of internal controls to adequately protect the collections of the Treasurer's office, which include but are not limited to the following:

- Establish separate cash drawers for all employees receiving cash.
- Compile a daily log of mailed in payments.

In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating internal controls to mitigate the risks involved with a concentration of duties. Compensating internal 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: Mitigating controls have been implemented to correct these conditions.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

Finding 2012-3—Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

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

- The Purchasing Agent solely performs key duties with no independent verification of accuracy.
- The Purchasing Agent encumbers funds, verifies availability of encumbrance, prints the purchase orders, verifies supporting documentation, initiates payments for claims, and prints warrants.
- The duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, and prepares end of month payroll reports.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

While testing sixty-six purchase orders, we noted the following:

- Twenty-nine were not supported by the proper documentation.
- Four were blanket purchase orders; however, the blanket purchase order section was not completed certifying the maximum amount of the purchase order was not exceeded.
- One was not timely encumbered.

Additionally, the County is remitting the sales tax to the Pottawatomie County Public Safety Center Trust on purchase orders without documentation of how the funds are expended.

Cause of Condition: Procedures have not been designed to adequately segregate key accounting functions regarding the purchasing and payroll processes to ensure compliance with state statutes.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends implementing compensating controls to mitigate the risk 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.

OSAI also recommends the following key account functions of the payroll process be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files, and
- Preparing end of month payroll reports.

Further, OSAI recommends County officials implement procedures to ensure that purchases comply with Title 19 O.S. § 1500-1505, and that sales tax is apportioned and expended in accordance with Title 68 O.S. § 1370E.

Management Response:

County Clerk: Compensating controls over payroll will be implemented. The key payroll processes will be separated where possible. All reviews will be documented and dated. To become more compliant with the statutes, I will send out a memo to all entities to ensure that proper procedures are followed when purchasing. Receiving reports, purchase orders being encumbered initially, requisitioning and receiving officers, have all been stressed in following proper procedures.

Board of County Commissioners: The Board of County Commissioners is going to begin adding the Sales Tax apportionments to the BOCC meeting agenda once a month. The approval of the Sales Tax apportionments will be documented in the BOCC meeting minutes. The Board of County Commissioners will require that all sales tax expenditures be made on purchase orders with proper documentation.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

Finding 2012-6—Disaster Recovery (Repeat Finding)

Condition: The offices of County Assessor, County Clerk, County Sheriff, County Treasurer, District 1, District 2, and District 3 do not have a written Disaster Recovery Plan.

Cause of Condition: A formal, written Disaster Recovery Plan with regard to the accounting and records was not designed due to the County being unaware for the need of such a procedure.

Effect of Condition: The failure to have a current formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted.

Recommendation: OSAI 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 of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

Management Response:

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 detailed Disaster Recovery form.

County 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 detailed Disaster Recovery form.

County Commissioner District 1, District 2, and District 3: The BOCC 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 Sheriff: The Pottawatomie County Sheriff's Office will develop a Disaster Recovery Plan for the safeguarding of assets and to ensure that business could continue as usual in the event of a disaster.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 detailed Disaster Recovery form and file it with the County Clerk.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

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.

Finding 2012-8—Inadequate Internal Controls Over Information Systems Security (Repeat Finding)

Condition: Upon review of the computer systems within the County Assessor's, County Clerk's, County Treasurer's, and Court Clerk's offices, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modifications, loss, or disclosure. The following was noted:

- Passwords are not required to be changed periodically in the County Clerk's or the County Treasurer's office.
- User roles are not being used in the County Clerk's, County Treasurer's, or County Assessor's office computer programs to segregate duties and responsibilities effectively. All users have full administrative rights.
- The audit log is not being utilized as a form of management oversight.

Cause of Condition: Procedures have not been designed to address security management over information systems.

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character, and an expiration of a minimum of at least every ninety days. In addition, OSAI recommends passwords not be shared and access to servers be limited.

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Management Response:

County Assessor: The County Assessor will check with the software vendor to determine what levels of security are in place and will review the password protection requirements.

County Clerk: The County Clerk will check with the software vendor to determine what levels of security are in place and will double-check password protection.

County Treasurer: The County Treasurer's office will begin changing passwords every ninety days and check with the software vendor about installing the audit log.

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Deliver 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 and 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.

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 2012-5—Inadequate Internal Controls Over the Court Clerk Revolving Fund and Court Fund Expenditure Processes (Repeat Finding)

Condition: Upon inquiry and observation of the Court Clerk Revolving Fund and the Court Fund expenditures processes, it was noted that the Court Clerk solely performs key duties with no independent verification of accuracy. The Court Clerk initiates and prepares the claim, attaches and verifies supporting documentation to claim, certifies that goods/services were received, signs the claim along with the District Judge, and prepares and signs checks.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties regarding the Court Clerk Revolving Fund and Court Fund expenditures processes.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a

**POTTAWATOMIE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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.

The following key accounting functions of the Court Clerk’s office should be adequately segregated:

- Preparing claims;
- Reviewing and authorizing claims; and
- Distributing vouchers.

Management Response:

Court Clerk: In response to this finding, I will now have my First Deputy verify the claims. I will have the Treasurer sign and date the end of month report.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of preparing the claim, attaching and agreeing supporting documentation, certifying receipt of goods/services, signing the claim, and preparing and signing the checks should be segregated.

Finding 2012-7—Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)

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

Of the fifteen consumable items tested, the following was noted:

District Office	Description	Amount on Inventory	Amount Visually Verified
District 1	60” Culvert Pipe	30’	0’

The following offices have not implemented a formal annual fixed asset inventory verification/physical count:

- County Assessor
- County Clerk
- County Sheriff
- County Treasurer
- Court Clerk
- District 1
- District 2
- District 3

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Additionally, our test of forty-seven fixed assets noted that the following eight items were not visibly marked with county identification numbers and/or “Property of Pottawatomie County:”

County ID Number	Description of Item	County Office
No ID#	DX-80 Phone System	County Clerk
301-009	1999 Chevy ½ ton Pickup 4x4	District 1
301-014	2000 Chevy Crew Cab Long Bed Pickup	District 1
302-031	2007 Mack 10 Wheel	District 1
304-004	John Deere 7130B w/Attachments	District 1
304-005	John Deere 7130B w/Attachments	District 1
307-026	John Deere Grader Model 672G	District 1
325-003	Salt Spreader	District 1
302-10	AM General 5 Ton 6x6	District 2
302-11	AM General 5 Ton 6x6	District 2
302-12	Chevy Etnyre Distributor Truck	District 2
600-2	Vermeer Brush Chipper	District 2
218-1	Notebook Computer	District 2
304-7	John Deere 6330 Tractor w/Attachment	District 3
441-14	Batwing Brush Hog Mower	District 3

Cause of Condition: Procedures have not been designed and implemented by county officers for the accurate reporting of fixed assets and consumable inventories, as well as procedures to ensure proper marking of equipment.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets and consumable inventories.

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

- Perform an annual inventory count.
- Retain documentation to verify the physical inventory counts are performed.
- Inventory count should be performed by someone other than the receiving officer or inventory officer.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by maintaining inventory records and properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual

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independent of the fixed asset recordkeeping process. Additionally, OSAI recommends the County comply with 69 O.S. § 645 by designing procedures to ensure that all equipment is properly marked with county identification numbers and “Property of Pottawatomie County.”

Management Response:

County Assessor: We will perform an annual inventory count and retain documentation.

County Clerk: We will perform an annual inventory count and retain documentation.

County Sheriff: We will perform an annual inventory count and retain documentation.

County Treasurer: We will maintain documentation of the physical inventory in the future.

Court Clerk: We will maintain documentation of the physical inventory in the future.

District 1 County Commissioner: We do perform an annual inventory count and will retain documentation. We will make sure all new equipment is marked with the inventory numbers and we will periodically make sure that identification numbers are affixed to equipment.

District 2 County Commissioner: We will perform an annual inventory count and retain documentation. We are in the process of marking all county equipment with the inventory numbers and affixing Pottawatomie County identification labels.

District 3 County Commissioner: We will perform an annual inventory count and retain documentation. We will make sure all new equipment is marked with the inventory numbers and we will periodically make sure that identification numbers are affixed to equipment.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of fixed assets, and safeguarding consumable items from loss, damage, or misappropriation.



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