

Pottawatomie County Operational Audit Review (2008-2010, 2016, 2017)

Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan

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Prepared for: [Your Intended Audience]

Subject: Review of Operational Audits Conducted by the Oklahoma State Auditor & Inspector on Pottawatomie County for the periods of July 1, 2008 through June 30, 2010, the fiscal year ended June 30, 2016, and the fiscal year ended June 30, 2017.

1. Introduction:

This briefing document summarizes the key findings and themes identified in three operational audit reports conducted by the Oklahoma State Auditor & Inspector (OSAI) on Pottawatomie County. The audits cover the periods of July 1, 2008 through June 30, 2010, and the fiscal years ending June 30, 2016 and June 30, 2017. The purpose of these audits, as stated by OSAI, is to "promote accountability and fiscal integrity in state and local government." This review aims to highlight recurring issues, areas of concern, and the county's responses to the audit recommendations over these periods.

2. Background of Pottawatomie County:

Pottawatomie County, located in Oklahoma, has a rich history, settled by various Native American tribes before being opened to white settlement in 1891. Shawnee serves as the county seat. Agriculture remains a significant part of its economy, alongside historical celebrations and the presence of tribal offices and higher education institutions. The county's population was estimated at 69,038 in 2007, 71,811 in 2014, and 72,290 in 2016.

3. Main Themes and Important Ideas/Facts:

Across the three audit periods, several consistent themes and important findings emerge, primarily revolving around internal controls and statutory compliance.

3.1. Internal Controls:

A dominant theme across all three audit reports is the **inadequacy of internal controls** in various aspects of the county's financial operations. OSAI consistently identified weaknesses in the design and implementation of controls, leading to potential risks of errors, fraud, and noncompliance.

Pledged Collateral (2008-2010): While bank deposits were found to be secured, the audit noted "Inadequate Internal Controls over Pledged Collateral" due to a lack of documented independent verification of daily bank balance monitoring. The recommendation was to "implement a system of internal controls to retain documentation of daily monitoring of bank balances for reasonable assurance that county funds are adequately secured."

Sales Tax (2008-2010): The audit found "Inadequate Internal Controls over Sales Tax and Noncompliance with Statute" because procedures were not in place to ensure accurate calculation and apportionment of sales taxes according to 68 O.S. § 1307E. Furthermore,

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expenditures by the Pottawatomie County Public Safety Center Trust lacked proper documentation. OSAI recommended implementing procedures with independent verification and ensuring proper documentation for expenditures.

Ad Valorem Tax Distribution (2008-2010): "Inadequate Internal Controls over Ad Valorem Distribution" were noted as there was no documented evidence of independent verification of certified levy accuracy when entered into the system. The recommendation was to implement a system of internal control with documented evidence of levy verification.

Expenditure Process (2008-2010): The audit concluded that the "County's financial operations did not comply with 19 O.S. § 1505B, which requires county purchases in excess of \$10,000 be competitively bid." Additionally, findings included purchase orders not properly encumbered, lacking signed receiving reports, or missing requisitioning officer signatures, indicating a lack of adequate segregation of accounting functions. OSAI recommended implementing a system of internal controls with independent verification and procedures to ensure statutory compliance.

Consumable Inventories (2008-2010, 2016, 2017): Recurring "Inadequate Internal Controls over Consumable Inventories" were identified. Issues included a lack of segregation of duties (one person responsible for receiving, recording, and verifying), unsecured storage, and the absence of monthly reports and periodic physical counts. OSAI recommended implementing controls for inventory maintenance, monthly reporting, periodic physical counts, segregation of duties, and securing storage locations. The 2016 and 2017 audits labeled this as a "Repeat Finding."

Fixed Assets (2008-2010, 2016, 2017): The audits consistently found noncompliance with statutes requiring inventory records, periodic verifications, and proper marking of equipment as "Property of Pottawatomie County." Specific findings included unmarked items and items not listed on inventory records. OSAI recommended properly marking assets, performing and documenting periodic inventories by an independent individual. This was also a "Repeat Finding" in 2016 and 2017.

Daily Deposits (2008-2010, 2016): The 2008-2010 audit noted the County Sheriff did not deposit all collections daily. The 2016 audit again found "Inadequate Internal Controls and Noncompliance Over Collections" with the Sheriff's and Assessor's offices not consistently depositing monies daily and lacking documentation of independent deposit reviews. OSAI recommended ensuring daily deposits and independent reviews.

County-Wide Controls, Risk Assessment, and Monitoring (2016, 2017): Both the 2016 and 2017 audits highlighted "Inadequate County-Wide Controls and Disaster Recovery Plan (Repeat Finding)." The condition stated that "County management has not designed and implemented internal controls regarding Risk Assessment and Monitoring." OSAI recommended designing procedures for risk identification, analysis, and monitoring.

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Disaster Recovery Plan (2016, 2017): As part of the county-wide controls finding, the audits noted that the "County Sheriff, County Assessor, and Court Clerk have not designed a Disaster Recovery Plan over information systems operating within each office." OSAI recommended preparing and documenting such plans. This was also a "Repeat Finding."

Payroll (2017): The 2017 audit identified "Inadequate Internal Controls Over Payroll" due to missing signed and approved timesheets and leave records, as well as instances of negative leave balances. OSAI recommended implementing procedures for complete and approved payroll documentation.

3.2. Statutory Compliance:

The audits regularly assessed the county's compliance with Oklahoma statutes.

Competitive Bidding (19 O.S. § 1505B) (2008-2010): The 2008-2010 audit found noncompliance as "the County's financial operations did not comply with 19 O.S. § 1505B, which requires county purchases in excess of \$10,000 be competitively bid."

Purchasing Procedures (19 O.S. § 1505C, § 1505E, § 1505F) (2008-2010): Deficiencies were noted in purchase requisitions, encumbrances, receiving reports, and invoice comparisons, indicating noncompliance with these statutes.

Inventory Records and Marking (19 O.S. § 178.1, 69 O.S. § 645) (2008-2010, 2016, 2017): As mentioned above, consistent noncompliance was found regarding the maintenance of inventory records, periodic verifications, and the proper marking of county equipment.

Consumable Inventory System (19 O.S. § 1504A) (2008-2010): Weaknesses in consumable inventory management indicated a lack of full compliance with this statute.

Daily Deposits (19 O.S. § 682) (2008-2010, 2016): The failure of some offices to deposit collections daily constituted noncompliance with this statute.

Sales Tax Calculation and Apportionment (68 O.S. § 1307E) (2008-2010): The lack of procedures for accurate sales tax handling led to potential noncompliance.

3.3. Financial Presentation (2008-2010):

The 2008-2010 audit included an objective to determine if receipts, disbursements, and cash balances were accurately presented on the County Treasurer's monthly reports for FY 2010. The conclusion was that "With respect to the days tested, the County complied with 62 O.S. § 517.4, which requires county deposits with financial institutions be secured with collateral securities or instruments."

3.4. Repeat Findings and Management Responses:

The recurrence of findings related to fixed assets, consumable inventories, county-wide controls, and disaster recovery plans in the 2016 and 2017 audits, after being raised in the 2008-2010 period (though

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not always explicitly labeled as "repeat"), suggests challenges in implementing and sustaining corrective actions.

Management responses generally indicated agreement with the findings and a commitment to implement the recommendations. Examples include:

County Treasurer (2008-2010): Acknowledged the need to initial the General Ledger for pledged collateral verification.

Board of County Commissioners (2008-2010): Agreed to add sales tax apportionments to meeting agendas and require proper documentation for sales tax expenditures.

Various County Officials (2008-2010, 2016, 2017): Stated intentions to implement inventory counts, maintain documentation, mark equipment, and establish procedures for better internal controls.

Board of County Commissioners Chairman (2016, 2017): Committed to working towards assessing risks and designing county-wide controls.

County Sheriff, Assessor, and Court Clerk (2016, 2017): Indicated they would develop Disaster Recovery Plans.

However, the repeated nature of some findings suggests that the implementation may have been incomplete, ineffective, or not consistently followed.

4. Conclusion:

The operational audits of Pottawatomie County over these periods reveal consistent challenges in establishing and maintaining adequate internal controls across various county functions. While management generally expressed a willingness to address the identified weaknesses, the recurrence of findings, particularly concerning asset management and county-wide controls, indicates a need for sustained and effective implementation of the OSAI's recommendations. Strengthening internal controls and ensuring consistent compliance with relevant Oklahoma statutes are crucial for enhancing accountability and fiscal integrity within Pottawatomie County government. The audit reports serve as valuable tools for the county to identify areas needing improvement and to take concrete steps towards more robust financial management practices.