

COUNTY AUDIT

PITTSBURG COUNTY

For the fiscal year ended June 30, 2009



*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

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Oklahoma State Auditor & Inspector

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

August 30, 2012

TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pittsburg County, Oklahoma for the fiscal year ended June 30, 2009. 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

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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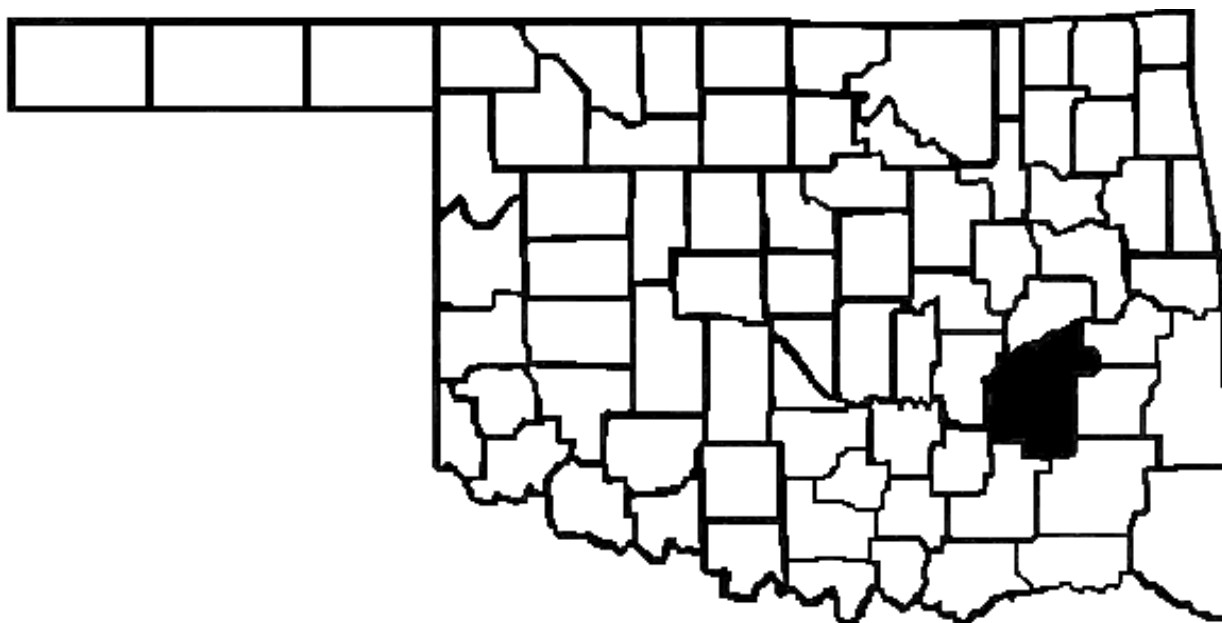
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**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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



Pittsburg County was created at statehood from Tobucksy County in the Choctaw Nation, Indian Territory. The new county took its name from Pittsburgh, Pennsylvania. Perryville, which no longer exists, was the place in Tobucksy County that court was held and elections were designated to take place. It was located a few miles south of present-day McAlester and was also an important military post and depot for Confederate forces. In September 1863 Perryville was burned to the ground by Union troops.

The largest city and the county seat of Pittsburg County is McAlester, which was originally developed as a rail center for the coal mining industry. Today, it is also the site of the Oklahoma State Penitentiary.

Agriculture is an important factor in the present-day economy of Pittsburg County. Peanuts, cotton, wheat, oats, and soybeans are among the major crops grown. McAlester Union Stockyard, which is one of the largest in the Southwest, and a large army ammunition plant are also vital to the county. Krebs is the largest Italian community in Oklahoma and is known for its fine food.

Annual events include the Italian Festival in McAlester in May, the Prison Rodeo in McAlester in September, and the Southeast Oklahoma Arts & Crafts Show during the first weekend in November. For more information, contact the county clerk at (918) 423-6865.

County Seat – McAlester

Area – 1,377.85 Square Miles

County Population – 44,711
(2007 est.)

Farms – 1,761

Land in Farms – 547,050 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY ASSESSOR
Jim Kelley

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

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

COUNTY CLERK
Debbie Burch

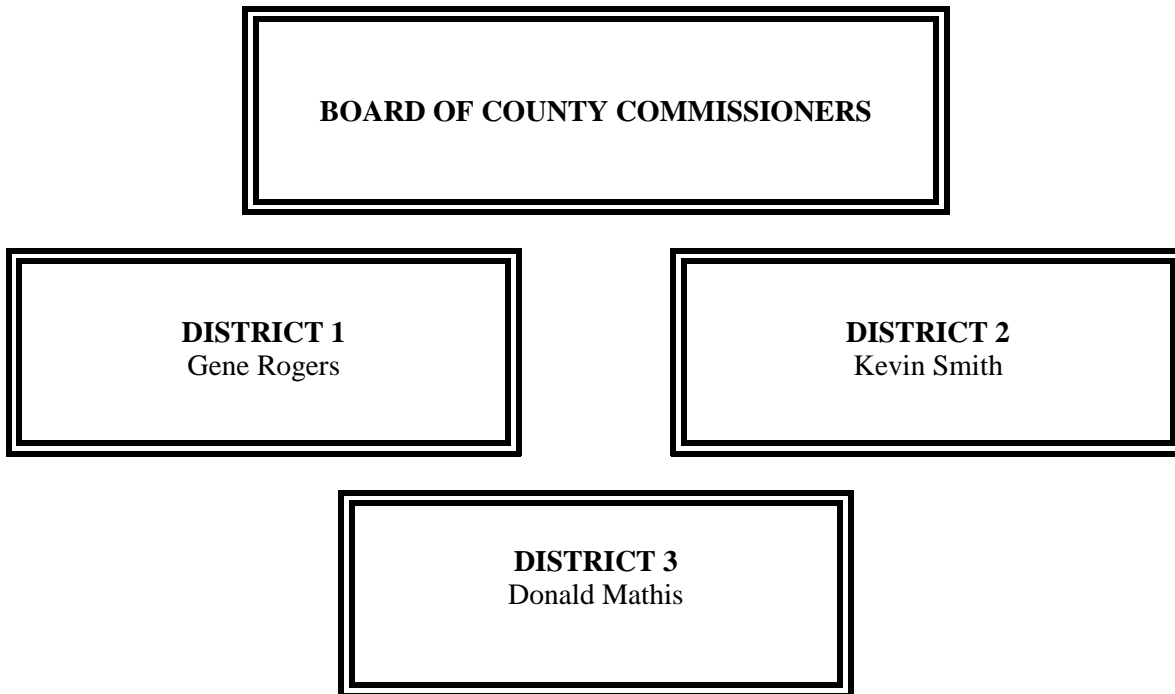
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

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

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

See independent auditor's report.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



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

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

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

See independent auditor's report.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COUNTY SHERIFF
Jerome Amaranto (through 12/31/08)
Joel Kerns (1/1/09 to present)

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

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

COUNTY TREASURER
Cerita Morley

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

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

COURT CLERK
Cindy Eller

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

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

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

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Jim Bob Miller

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

See independent auditor's report.

**PITTSBURG COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ELECTION BOARD SECRETARY
Cathy Thornton

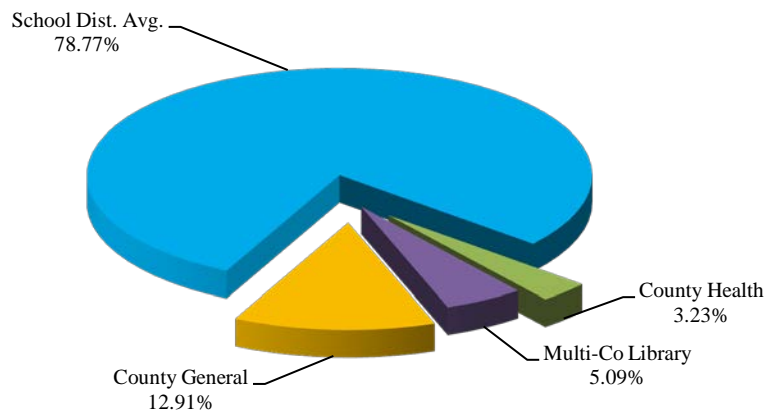
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within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

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

See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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	10.33								
County Health	2.58	Hartshorne	Jl-1	35.93	5.13	-	12.40	4.13	57.59
Multi-Co Library	4.07	Canadian	I-2	35.60	5.09	2.74	12.40	4.13	59.96
		Haileyville	I-11	36.74	5.25	4.16	12.40	4.13	62.68
		Kiowa	JA-14	36.57	5.22	-	12.40	4.13	58.32
		Quinton	JA-17	36.09	5.16	12.68	12.40	4.13	70.46
		Indianola	I-25	37.30	5.33	5.27	12.40	4.13	64.43
		Crowder	Jl-28	36.91	5.27	3.03	12.40	4.13	61.74
		Pittsburg	Jl-63	36.51	5.22	18.97	12.40	4.13	77.23
		Savanna	I-30	36.60	5.23	-	12.40	4.13	58.36
		McAlester	I-80	35.76	5.11	1.98	12.40	4.13	59.38

See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Total net assessed value as of January 1, 2008		<u>\$ 298,802,542</u>
Debt limit - 5% of total assessed value		14,940,127
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>18,627</u>	<u>-</u>
Legal debt margin		<u>\$ 14,940,127</u>

See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

	2009
Estimated population	44,711
Net assessed value as of January 1, 2008	\$ 298,802,542
Gross bonded debt	-
Less available sinking fund cash balance	18,627
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**PITTSBURG COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2008	\$140,161,559	\$27,409,067	\$144,563,453	\$13,331,537	\$298,802,542	\$2,712,995,868

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Pittsburg County's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pittsburg County as of June 30, 2009, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Pittsburg County, for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2012, on our consideration of Pittsburg County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

August 30, 2012

Basic Financial Statement

**PITTSBURG COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:				
General Fund	\$ 796,051	\$ 4,573,622	\$ 4,497,538	\$ 872,135
County Sinking	6,796	15,163	3,332	18,627
Highway	2,234,920	6,940,440	6,786,458	2,388,902
Federal Emergency Management	146			146
County Health Department	517,365	958,844	950,792	525,417
Treasurer's Mortgage Tax Certification Fees	12,121	12,348	16,134	8,335
Resale Property	242,991	127,062	181,244	188,809
County Clerk's Lien Fee	280,172	100,342	139,705	240,809
Assessor's Visual Inspection	30,954	14,297	16,994	28,257
Civil Defense	134,341	65,468	42,571	157,238
DHS Attendant Care	1,793			1,793
County Clerk's Records Preservation	169,937	82,325	117,566	134,696
Courthouse Security	42			42
Sheriff's Service Fee	45,089	425,991	379,852	91,228
CEL - Corps of Engineers	232	10,814	10,306	740
CDBG		17,171	17,171	
Youth Services Travel	7			7
Juvenile Detention Building & Maintenance	23,726	819		24,545
REAP	186,492	76,160	233,541	29,111
Oklahoma Home Housing Program	2,382			2,382
Local Emergency Planning Program	5,848	2,000	1,233	6,615
Jail Construction and Renovation	2,097,420	2,411,684	1,320,098	3,189,006
Jail Maintenance and Operation	3,121,224	1,951,640	1,272,691	3,800,173
Courthouse Construction and Renovation	2,015,439	2,394,147	1,292,596	3,116,990
Animal Shelter Construction	215,642	252,637	137,510	330,769
Animal Shelter Maintenance and Operation	1,024,286	715,636	541,526	1,198,396
Emergency Disaster Relief Donation Fund	30,091	945		31,036
E-911	32,913	354,504	351,954	35,463
County Animal Shelter Donations		1,374	529	845
County Fire Tax		856,019	67,377	788,642
Combined Total--All County Funds	<u>\$ 13,228,420</u>	<u>\$ 22,361,452</u>	<u>\$ 18,378,718</u>	<u>\$ 17,211,154</u>

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Pittsburg County, Oklahoma. The financial statement referred to includes only the primary government of Pittsburg County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. The general fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

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

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

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

County Sinking – accounts for the payment 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.

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

Federal Emergency Management – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

County Clerk’s Lien Fee – accounts for lien collections and disbursements as restricted by statute.

Assessor’s Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

DHS Attendant Care – accounts for the state contract funds for juvenile care.

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

Courthouse Security – accounts for donations from a local organization to purchase security equipment for the courthouse.

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

CEL - Corps of Engineers - accounts for monies received from the Corps of Engineers for patrolling services.

CDBG – accounts for the federal funds received to fund the development and installation of a rural water system in Indianola.

Youth Services Travel – accounts for state reimbursements for the transportation of juveniles.

Juvenile Detention Building & Maintenance – accounts for state funds held for the maintenance and operation of the Juvenile Detention Building.

REAP – accounts for state grant funds received for various projects.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Oklahoma Home Housing Program – accounts for the federal funds used to provide assistance for low-income housing.

Local Emergency Planning Program – accounts for the federal funds from the Department of Emergency Management.

Jail Construction and Renovation – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Jail Maintenance and Operation – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Courthouse Construction and Renovation – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Animal Shelter Construction - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Animal Shelter Maintenance and Operation - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Emergency Disaster Relief Donation Fund - accounts for donations to the County for emergency disaster relief.

E-911 – accounts for the collection of an emergency telephone fee collected by local service providers for the operation of the enhanced emergency telephone system.

County Animal Shelter Donations – accounts for the monies received from donations and the disbursement of funds for the boarding of stray and abandoned animals in the care of the County Animal Shelter.

County Fire Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

C. Basis of Accounting

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

D. Budget

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

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

E. Cash

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

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

F. Compensated Absences

Vacation benefits are earned by the employee during the year and must be taken during the year earned. Employees earn vacation leave according to the following schedule:

Years of Service	Vacation Leave	Accumulation Limit
0-1 years	8 days (64 hours)	23 days (184 hours)
2 to 9 years	13 days (104 hours)	23 days (184 hours)
10 to 19 years	18 days (144 hours)	23 days (184 hours)
20 years and up	23 days (184 hours)	23 days (184 hours)

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

An employee earns up to 12 days (8 hours per month) of sick leave per year and accumulation is unlimited. A maximum of 130 days may be used for retirement purposes. Sick leave is not paid upon separation of employment

2. Ad Valorem Tax

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

The assessed property value as of January 1, 2008, was approximately \$298,802,542.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.33 mills for general fund operations, 2.58 mills for county health department, and 4.07 mills for multi-county library. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2009, were approximately 76.39 percent of the tax levy.

3. Fuel Tax

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

4. Risk Management

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

OPEH&WP – The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. 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.

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

6. 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.

7. 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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

8. Sales Tax

The voters of Pittsburg County approved a three quarters of one percent (3/4%) sales tax effective October 11, 2005. This sales tax was designated as follows:

- 48% constructing, renovating, expanding, equipping, which includes three-sixteenths of one cent for operating and maintaining the Pittsburg County Jail;
- 47% acquisition of real property, constructing, renovating, expanding and furnishing the Pittsburg County Courthouse;
- 5% acquisition of real property, constructing, equipping, which includes one-sixteenth of one cent primarily for operating and maintaining a new Pittsburg County animal shelter.

A portion of this sales tax, one-half of one cent, expires October 11, 2024, or until principal and interest upon indebtedness is paid in full, whichever occurs earlier. The remaining one quarter sales tax is permanent.

The voters of Pittsburg County approved a permanent one quarter of one percent (1/4%) sales tax effective July 29, 2008. This sales tax was designated for fire protection.

The sales tax will be distributed to the fire departments in the following communities; Alderson, Arrowhead Estates, Ashland, Blanco, Blue, Bugtussle, Canadian, Canadian Shores, Crowder, Elm Point, Gaines Creek, Haileyville, Hartshorne, Haywood-Arpear, High Hill, Highway 9, Indianola, Kiowa, Krebs, McAlester, Pittsburg, Quinton, Sam's Point, Savanna, Shady Grove, Tannehill, and Union Chappell, or others hereinafter established.

OTHER SUPPLEMENTARY INFORMATION

PITTSBURG 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, 2009

	General Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 796,051	\$ 796,051	\$ -
Less: Prior Year Encumbrances	(109,205)	(104,992)	4,213
Beginning Cash Balances, Budgetary Basis	<u>686,846</u>	<u>691,059</u>	<u>4,213</u>
Receipts:			
Ad Valorem Taxes	2,806,028	2,343,170	(462,858)
Charges for Services	504,068	1,125,801	621,733
Intergovernmental Revenues	584,781	829,345	244,564
Miscellaneous Revenues	203,082	275,306	72,224
Total Receipts, Budgetary Basis	<u>4,097,959</u>	<u>4,573,622</u>	<u>475,663</u>
Expenditures:			
County Sheriff	973,250	972,229	1,021
County Treasurer	226,819	226,163	656
County Commissioners	250,964	242,021	8,943
OSU Extension	226,408	226,407	1
County Clerk	460,936	459,332	1,604
Court Clerk	243,991	241,635	2,356
County Assessor	284,783	281,160	3,623
Revaluation of Real Property	436,969	433,313	3,656
General Government	1,313,762	1,099,249	214,513
Excise-Equalization Board	8,500	5,029	3,471
County Election Board	174,375	166,811	7,564
Civil Defense	101,572	100,711	861
Juvenile Detention	30,000	23,722	6,278
Senior Citizen	3,000	3,000	
KEDDO	1,596	1,596	
County Audit Budget	29,880		29,880
County Free Fair Account	18,000	18,000	
Total Expenditures, Budgetary Basis	<u>4,784,805</u>	<u>4,500,378</u>	<u>284,427</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>764,303</u>	<u>\$ 764,303</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		107,832	
Ending Cash Balance		<u>\$ 872,135</u>	

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

PITTSBURG 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, 2009

	County Health Department Fund		
	Final		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 517,365	\$ 517,365	\$ -
Less: Prior Year Encumbrances	(77,210)	(77,207)	3
Beginning Cash Balances, Budgetary Basis	440,155	440,158	3
Receipts:			
Ad Valorem Taxes	700,828	585,225	(115,603)
Miscellaneous Revenues	181,206	373,619	192,413
Total Receipts, Budgetary Basis	882,034	958,844	76,810
Expenditures:			
Health and Welfare	1,322,189	914,893	407,296
Total Expenditures, Budgetary Basis	1,322,189	914,893	407,296
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	484,109	\$ 484,109
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		41,308	
Ending Cash Balance		\$ 525,417	

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

**PITTSBURG COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Beginning Cash Balance	<u>\$ 6,796</u>
Receipts:	
Total Receipts	<u>15,163</u>
Disbursements:	
Judgment Principal	3,162
Judgment Interest	<u>170</u>
Total Disbursements	<u>3,332</u>
Ending Cash Balance	<u>\$ 18,627</u>

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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. Sinking Fund Schedule

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
PITTSBURG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2009, which comprises Pittsburg County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 30, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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 Pittsburg County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pittsburg 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 a deficiency that we consider to be a significant deficiency.

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. 2009-1, 2009-3, 2009-4, and 2009-7.

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. 2009-2 and 2009-8.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2009-5.

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

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



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

August 30, 2012

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 2009-1—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: 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.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response: The Board of County Commissioners will schedule a meeting with the appropriate officials to determine the best course of actions on implementing a system of internal controls.

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.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2009-2—Footnote Disclosures (Repeat Finding)

Condition: Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

Cause of Condition: Procedures have not been designed to prepare the accompanying notes to the financial statement.

Effect of Condition: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statement to ensure appropriate disclosures are presented.

Management Response: The Board of County Commissioners will meet with other elected officials to determine the best course of action upon the recommendations set by the State Auditor and Inspector's Office and will implement said decision as soon as possible.

Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Finding 2009-3—Segregation of Duties for County Treasurer (Repeat Finding)

Condition: The County Treasurer's office has one deputy that performs the duties of balancing the cash drawer, preparing the deposit, posting daily receipts to the daily reports and general ledger, preparing the monthly reports, and reconciling the bank accounts. This deputy also routinely issues miscellaneous receipts and issues other receipts when needed.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the Treasurer's 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 management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Management Response: County Treasurer – Each cashier verifies cash to cash, checks to checks and then to receipt totals. The 1st deputy rechecks cash to cash, checks to checks and receipt totals for the day. Cashiers each have separate cash drawers they post daily receipts and run daily reports. Then 1st deputy checks the daily report to make sure they have balanced and then makes the deposits. Treasurer and chief deputy do periodically check and review all work by deputies.

Auditor Response: The duties regarding the collections process are not properly segregated.

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 receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Finding 2009-4—Treasurer’s General Bank Reconciliation (Repeat Finding)

Condition: The County Treasurer’s office is not properly reconciling bank account balances to the General Ledger. The Treasurer’s office does not maintain a detailed list of outstanding warrants for the school or municipal accounts to use for reconciliation purposes. In addition, these bank reconciliations were not reviewed or approved.

Cause of Condition: Procedures have not been designed to ensure the reconciliations with banks are performed, all reconciling items are documented, and the reconciliations are reviewed and approved by someone other than the preparer.

Effect of Condition: This condition adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably.

Recommendation: OSAI recommends the County Treasurer perform timely reconciliations of bank statements and ensure all reconciling items are accurate and reasonable. OSAI also recommends someone other than the preparer review and approve the bank reconciliations.

Management Response: County Treasurer – The County Treasurer’s School Deputy does have separate outstanding warrants listed as of 08-09 and 09-10. Correction has been made. Well, we are working on it.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not properly prepared or not timely prepared, and being reviewed by someone independent of its preparation are deficiencies in internal control.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Finding 2009-5—Cash Disbursement Not Encumbered Prior (Repeat Finding)

Condition: While performing the expenditure testwork, 2 of the 12 tested were not timely encumbered.

Not Timely Encumbered:

<u>P.O. #</u>	<u>Warrant #</u>	<u>Fund</u>	<u>P.O./Invoice Date</u>	<u>Amount</u>
8003	843	Gen'l/ R-3A	6-15-09/2-11-09	\$ 1,153.00
561	147	Hwy./District #2	7-25-08/7-17-08	\$ 17,666.00

Cause of Condition: Procedures designed by state statute have not been adequately implemented.

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

Recommendation: OSAI recommends the County strictly adhere to state purchasing laws.

Management Response: County Clerk – P.O. #8003 – The inmate medical expenses are not known in total for Purchase order until the invoice is received. Will speak to the Sheriff and Jail Administrator to try and correct this issue. P.O. #561 – Even though we know the complete total, we do not have the breakdown for each purchase order/department until it is received in July. We will ask ACCO to forward this information in a more timely manner. County Sheriff – Once billing (medical) is received, a purchase order will be obtained for that amount that working day. Board of County Commissioners – P.O. #8003 - This was a medical bill for an inmate. McAlester Regional Health Center does not bill for at least one month after treatment and we had no way of determining the amount of the expense, therefore no purchase order was obtained until the invoice was received. P.O. #561 – Invoice dated 7/17/08, but had to be mailed from ACCO along with the accounts breakdown that determined the amounts taken from specific accounts.

Criteria: Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Finding 2009-7—Segregation of Duties for Payroll (Repeat Finding)

Condition: The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, and prepares the OPERS reports and state and federal tax reports. In addition, the Payroll Clerk processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, distributes payroll warrants, and initiates direct deposits.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the payroll department.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individual.

Management Response: County Clerk - We have two additional employees who are cross-trained and assist with payroll and have the ability to check the payroll process at anytime.

Auditor Response: The duties of the payroll process are not adequately segregated.

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

Finding 2009-8—Disaster Recovery Plan (Repeat Finding)

Condition: A Disaster Recovery Plan is not in place for the offices of the County Treasurer and the County Clerk. There is not a procedure addressing how critical information and systems would be restored in the event of a disaster. In addition, back-ups for the County Clerk's office are not stored in a fire-proof safe.

Cause of Condition: Procedures have not been designed to develop and implement a Disaster Recovery Plan.

Effect of Condition: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan that has a procedure that addresses how critical information and systems would be restored in the event of a disaster. The County Clerk should also store their back-ups in a safe, secure location, away from the courthouse, where information could be easily retrieved in the event of a disaster.

Management Response: County Clerk – We will make a written plan to be stored off site.
County Treasurer – Did not respond.

Criteria: CobiT 4.1 DS4.1 states the following:

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

In addition CobiT 4.1 DS4.2 states:

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



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