



PITTSBURG COUNTY

County Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Cindy Byrd, CPA | State Auditor & Inspector

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May 2, 2019

TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pittsburg County, Oklahoma for the fiscal year ended June 30, 2016. 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 that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**PITTSBURG COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Gene Rogers
District 2 – Kevin Smith
District 3 – Ross Selman

County Assessor

Cathy Haynes

County Clerk

Hope Trammell

County Sheriff

Joel Kerns

County Treasurer

Donna Scrivner

Court Clerk

Cindy Ledford

District Attorney

Chuck Sullivan

**PITTSBURG COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in Note 1, the financial statement is prepared by Pittsburg County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pittsburg County as of June 30, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Pittsburg County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019, 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 solely 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 effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Pittsburg County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first name "Cindy" and last name "Byrd" clearly distinguishable.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 30, 2019

REGULATORY BASIS FINANCIAL STATEMENT

PITTSBURG 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, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
Major Funds:						
General	\$ 1,126,985	\$ 5,202,356	\$ -	\$ -	\$ 5,388,007	\$ 941,334
County Sinking	18,881	3	-	-	-	18,884
County Highway	2,733,556	6,532,209	282,932	98,046	6,957,518	2,493,133
Federal Emergency Management	58	-	-	-	-	58
County Health Department	905,318	1,198,679	-	-	1,128,508	975,489
Resale Property	505,397	273,448	-	-	179,334	599,511
Civil Defense	298,715	103,636	-	-	222,523	179,828
REAP	-	125,449	-	-	125,449	-
Local Emergency Planning Program	12,298	-	-	-	900	11,398
Jail Construction and Renovation	4,066,681	698,518	-	-	4,765,199	-
Jail Maintenance and Operation	1,411,798	1,292,528	-	-	1,512,913	1,191,413
Courthouse Construction and Renovation	3,945,392	684,090	-	-	4,629,482	-
Animal Shelter Construction	419,274	103,053	-	-	522,327	-
Animal Shelter Maintenance and Operation	914,489	490,874	-	-	519,128	886,235
County Fire Tax	2,958,581	1,729,350	-	-	1,240,470	3,447,461
Local Emergency Preparedness Grant	4,487	1,000	-	-	-	5,487
Highway Sales Tax	-	2,289,672	-	-	768,849	1,520,823
Remaining Aggregate Funds	1,128,347	1,593,721	-	-	1,932,643	789,425
Combined Total - All County Funds, as Restated	\$ 20,450,257	\$ 22,318,586	\$ 282,932	\$ 98,046	\$ 29,893,250	\$ 13,060,479

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, 2016**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pittsburg 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:

General – accounts for revenue from ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are 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 derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

County 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, 2016**

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

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

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

REAP – accounts for state grant funds received for specific projects as identified by the grant.

Local Emergency Planning Program – accounts for the federal funds from the Department of Emergency Management for the operation of the emergency management office.

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

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

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

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

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

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

Local Emergency Preparedness Grant – accounts for monies received from the Department of Homeland Security passed through the Oklahoma Department of Emergency Management to be used for grant program.

Highway Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

D. Budget

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

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

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.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

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 Pittsburg County approved three-quarters of one (1) cent on October 11, 2005 to be pledged toward the retirement of indebtedness incurred therefore and to be designated and used specifically as follows:

- 48% constructing, renovating, expanding, equipping, which includes three-sixteenths of one (1) 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 (1) cent primarily for operating and maintaining a new Pittsburg County animal shelter.

A portion of this sales tax, one-half of one (1) cent, expires October 11, 2024, or until principal and interest upon indebtedness is paid in full, whichever occurs earlier. On July 23, 2015, the Economic Development Authority, (the "Authority"), defeased all outstanding sales tax revenue bonds associated with one-half cent (1/2) for the capital improvements. Therefore, one-half cent (1/2) county sales tax was terminated effective October 1, 2015. The remaining one-quarter sales tax is permanent. These funds are accounted for in Jail Construction and Renovation, Jail Maintenance

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

and Operation, Courthouse Construction and Renovation, Animal Shelter Construction, and Animal Shelter Maintenance and Operation funds.

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. These funds are accounted for in the County Fire Tax fund.

The voters of Pittsburg County approved a permanent one percent (1%) sales tax effective January 1, 2016. The sales tax proceeds of which to be deposited to a sales tax depository account with the Pittsburg County Treasurer, pledged toward the retirement of any indebtedness incurred therefore; and to be designated and used specifically as follows: construction and repair of county roads and bridges; acquisition of equipment and materials; contractor services as necessary; and not for salaries of county employees; making provisions separable; and declaring an emergency. These funds are accounted for in the Highway Sales Tax fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$23,537 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$282,932 from the County Highway ETR Loan fund (a trust and agency fund) to the County Highway fund to reimburse for expenditures on bridge and road projects in the County.
- \$98,046 from the County Highway fund to the County Highway ETR Loan fund (a trust and agency fund) for loan repayment for bridge and road projects in the County.

G. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. District 18 Drug Court fund was reclassified as a county fund.

Prior year ending balance, as reported	\$ 20,370,220
Fund reclassified to County Funds	<u>80,037</u>
Prior year ending balance, as restated	<u>\$ 20,450,257</u>

Also, the Civil Defense fund and Federal Emergency Management fund balances at June 30, 2015 were inaccurately reported and corrected on the July 1, 2015 beginning balance. This increased the Civil Defense fund beginning balance to \$298,715 and decreased the Federal Emergency Management fund beginning balance to \$58.

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, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,126,985	\$ 1,126,985	\$ -
Less: Prior Year Encumbrances	(101,410)	(89,783)	11,627
Beginning Cash Balances, Budgetary Basis	1,025,575	1,037,202	11,627
Receipts:			
Ad Valorem Taxes	3,475,900	3,757,798	281,898
Charges for Services	240,000	270,625	30,625
Intergovernmental Revenues	990,007	1,154,176	164,169
Miscellaneous Revenues	9,000	19,757	10,757
Total Receipts, Budgetary Basis	4,714,907	5,202,356	487,449
Expenditures:			
County Sheriff	985,272	973,871	11,401
County Treasurer	251,163	242,270	8,893
County Commissioners	269,548	268,572	976
OSU Extension	246,114	218,879	27,235
County Clerk	481,197	467,862	13,335
Court Clerk	253,357	251,773	1,584
County Assessor	309,365	309,364	1
Revaluation of Real Property	505,880	490,703	15,177
General Government	1,900,666	1,669,891	230,775
Excise-Equalization Board	11,000	5,171	5,829
County Election Board	198,523	196,989	1,534
Charity	1,000	-	1,000
Civil Defense	143,828	143,827	1
Juvenile Detention	15,000	13,579	1,421
Senior Citizens	3,000	3,000	-
KEDDO	1,596	1,596	-
Expo	25,000	25,000	-
Flood Plain	47,319	44,863	2,456
County Audit Budget Account	73,654	65,155	8,499
Free Fair	18,000	18,000	-
Total Expenditures, Budgetary Basis	5,740,482	5,410,365	330,117
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	829,193	\$ 829,193
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		112,141	
Ending Cash Balance		\$ 941,334	

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, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 905,318	\$ 905,318	\$ -
Less: Prior Year Encumbrances	(10,109)	(9,240)	869
Beginning Cash Balances, Budgetary Basis	895,209	896,078	869
Receipts:			
Ad Valorem Taxes	868,152	938,540	70,388
Miscellaneous Revenues	247,329	260,139	12,810
Total Receipts, Budgetary Basis	1,115,481	1,198,679	83,198
Expenditures:			
Health and Welfare	2,010,690	1,268,169	742,521
Total Expenditures, Budgetary Basis	2,010,690	1,268,169	742,521
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	826,588	\$ 826,588
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		148,901	
Ending Cash Balance		\$ 975,489	

PITTSBURG COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
Treasurer Mortgage Tax Certification Fee	\$ 31,863	\$ 8,497	\$ -	\$ 40,360
County Clerk Lien Fee	126,222	56,660	-	182,882
Assessor Visual Inspection	22,647	8,325	7,799	23,173
DHS Attendant Care	1,793	-	-	1,793
County Clerk Records Preservation	112,369	57,444	46,198	123,615
Sheriff Service Fee	353,685	768,380	946,206	175,859
CEL - Corps of Engineers	5,584	12,667	14,393	3,858
Youth Services Travel	7	-	-	7
Juvenile Detention Building and Maintenance	25,642	62	-	25,704
Emergency Disaster Relief Donation	32,424	78	-	32,502
E-911	27,931	338,013	338,498	27,446
Animal Shelter Donations	13,698	3,940	1,315	16,323
Sheriff Training	446	-	-	446
Sheriff Commissary	292,166	178,790	397,731	73,225
Litter Reward Revolving Fund	1,310	8	-	1,318
Oklahoma Bar Association Donation	523	5,820	5,890	453
District 18 Drug Court	80,037	155,037	174,613	60,461
Combined Total - Remaining Aggregate Funds, as Restated	\$ 1,128,347	\$ 1,593,721	\$ 1,932,643	\$ 789,425

PITTSBURG COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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:

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

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

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

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

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

Sheriff 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.

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

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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.

Sheriff Training – accounts for monies collected from other law enforcement agencies for attendance of training classes for law enforcement certifications and the disbursement of funds are for expenses of conducting classes.

Sheriff Commissary – accounts for the monies received from the sale of commissary items and disbursement of funds are for commissary and jail operating expenses.

Litter Reward Revolving Fund – accounts for collections of fines from littering and the disbursements are restricted to be used for the prevention of littering.

Oklahoma Bar Association Donation – accounts for funds received from the Oklahoma Bar Association for the purchase of recording equipment to be used in the courtrooms.

District 18 Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services and federal funds to be expended for the maintenance and operation of the District Drug Court.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		\$ 170,869
Total U.S. Department of Interior			<u>170,869</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Department of Mental Health Services:			
Drug Court Discretionary Grant Program	16.585		<u>15,300</u>
Total U.S. Department of Justice			<u>15,300</u>
U.S. DEPARTMENT OF ELECTION ASSISTANCE COMMISSION			
Passed Through the State Election Board:			
Help America Vote Act Requirement Payments	90.401		<u>1,442</u>
Total U.S. Department of Election Assistance Commission			<u>1,442</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	994,685
Emergency Management Performance Grants	97.042		<u>45,000</u>
Total U.S. Department of Homeland Security			<u>1,039,685</u>
Total Expenditures of Federal Awards			<u>\$ 1,227,296</u>

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Pittsburg County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

Pittsburg County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

Eligible Expenditures Incurred in the Prior Fiscal Year

On June 04, 2015, the President of the United States approved a Major Disaster Declaration for Pittsburg County in response to tornadoes, straight-line winds, and flooding incurring on May 05, 2015 through June 22, 2015. The County incurred \$225,753 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2016. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public (Presidentially Declared Disasters) will include \$225,753 in eligible expenditures incurred in the fiscal year ending June 30, 2015 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2016

INTERNAL CONTROL AND COMPLIANCE SECTION

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively 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 April 30, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2016, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2016-001, 2016-004, and 2016-005.

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 described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-002 and 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as item 2016-005.

We noted certain matters regarding statutory compliance that we reported to the management of Pittsburg County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Pittsburg County's Response to Findings

Pittsburg County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Pittsburg County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

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

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 30, 2019

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
the Uniform Guidance**

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Pittsburg County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Pittsburg County's major federal program for the year ended June 30, 2016. Pittsburg County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pittsburg County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pittsburg County's compliance.

Basis for Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters)

As described in Finding 2016-016 in the accompanying schedule of findings and questioned costs, Pittsburg County did not comply with requirements regarding the following:



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-016	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Allowable Cost/Cost Principles

Compliance with such requirements is necessary, in our opinion, for Pittsburg County to comply with the requirements applicable to that program.

Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Pittsburg County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2016.

Other Matters

Pittsburg County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pittsburg County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Pittsburg County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pittsburg County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pittsburg County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-014 and 2016-015, that we consider to be material weaknesses.

Pittsburg County's Response to Findings

Pittsburg County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Pittsburg County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 30, 2019

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:..... Adverse as to GAAP; unmodified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?..... No

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 2—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 2016-001 – Inadequate Segregation of Duties for County Treasurer (Repeat Finding 2003-001, 2004-001, 2005-001, 2006-001, 2007-001, 2008-003, 2009-003, 2010-003, 2011-003, 2012-003, and 2013-003)

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, posts apportionments to the general ledger, preparing the monthly reports, and reconciling the bank accounts. This deputy also routinely issues miscellaneous receipts and issues other receipts when needed. Additionally, all employees work from the same cash drawer.

Cause of Condition: Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports. Further, duties regarding the collection process have not been adequately segregated.

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: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the following key accounting functions of the County Treasurer’s office be adequately segregated:

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

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

- Establishing separate cash drawers for all employees receiving cash.

Further, in the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate 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 which would provide independent oversight of the accuracy of the County Treasurer’s monthly reports.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

County Treasurer: I as Treasurer have always reviewed the monthly reports, but no documentation on the reports to verify. This documentation will be implemented in the future. Bank statements are reviewed and signed off on. With limited personnel, some segregation is not possible.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. 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 2016-002 – Inadequate Internal Controls Over Information Technology – County Treasurer

Condition: Upon review of the computer system within the office of the County Treasurer, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24.A.28.

Cause of Condition: Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

Effect of Condition: This condition could result in compromised security for the computer, computer programs, and data.

Recommendation: OSAI recommends the County Treasurer comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

County Treasurer: The specifics of the response have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring 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.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-003 – Inadequate Internal Controls Over Signature Stamp – County Treasurer (Repeat Finding 2011-004, 2012-004, and 2013-004)

Condition: Upon inquiry, observation, and review of documents, we noted the following internal control weakness with regard to purchasing procedures:

- The employees of the County Treasurer's office have access to the Treasurer's three (3) signature stamps. The signature stamps are not under the physical control of the County Treasurer and are retained in an unsecure location.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure control of the signature stamps due to the official being unaware of the risk involved with someone other than herself having access to her signature stamps.

Effect of Condition: This condition could result in unauthorized transactions or misappropriation of funds.

Recommendation: OSAI recommends signature stamps be adequately safeguarded from unauthorized use and ensure signature stamps are used only by the official to whom it belongs.

Management Response:

County Treasurer: The signature stamps are in a cash box and in a drawer in office during the day and locked in vault at night. They are mostly used for school checks, some deposit tickets, and a few monthly reports that other offices bring to us.

Auditor Response: The signature stamps should only be used by the official to whom it belongs.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2016-004 – Inadequate Segregation of Duties for Payroll (Repeat Finding 2008-007, 2009-007, 2010-007, 2011-006, 2012-006, and 2013-006)

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, and distributes payroll warrants.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls of the payroll process.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 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 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.

Management Response:

County Clerk: Due to the budget constraints, we will work towards implementing a checks and balance system for payroll as we have in the remainder of the office. If we are unable to segregate duties, then another deputy will review payroll for correctness.

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 payroll calculations and/or transactions. To help ensure a proper a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2016-005 – Inadequate Internal Controls and Noncompliance Over Sales Tax Expenditures

Condition: The voters of Pittsburg County approved a three-quarters of one percent (3/4%) sales tax effective October 11, 2005. A portion of this sales tax, one-half of one cent (.50%), expires October 11, 2024, or until principal and interest upon indebtedness is paid in full, whichever occurs earlier.

The sales tax proceeds remitted by the Oklahoma Tax Commission monthly to the County were to be disbursed to the Authority's Depository Bank as received by the County in accordance with the Sales Tax Agreement executed December 1, 2005. The County did not disburse all proceeds received monthly to the Authority.

On July 23, 2015, the Economic Development Authority, (the "Authority"), defeased all outstanding sales tax revenue bonds associated with one-half cent associated with capital improvements. Therefore, one-half cent county sales tax was terminated effective October 1, 2015. These sales tax proceeds were accounted for in Jail Construction and Renovation, Courthouse Construction and Renovation, and Animal Shelter Construction funds.

Sales tax collections at the three-quarters of one percent (3/4%) rate were remitted by the Oklahoma Tax Commission to the County through November of 2015.

While reviewing sales tax expenditures it was noted that a transfer of appropriations totaling \$4,511,939 dated January 19, 2016 was made to transfer the remaining residual balances out of the sales tax cash funds to the Authority as follows:

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Jail Construction & Renovation - \$2,165,074
- Courthouse Construction & Renovation - \$2,121,690
- Animal Shelter Construction - \$225,175

It was further noted that the transfer of appropriation did not include adequate documentation and was not expended in accordance with the sales tax ballot or sales tax agreement with the Authority. This disbursement of funds was performed after receiving legal advice regarding the excess of funds from the Authority's legal counsel.

The legal advice dated October 6, 2015 discussed excess funds which have accumulated in an account under control of the Authority. The excess monies in question were under the control of the County until January 19, 2016 at which time they were disbursed to the Authority's account.

Cause of Condition: The County did not follow the policies and procedures designed by state statute regarding the purchasing process. In addition, policies and procedures have not been designed and implemented to ensure County sales tax collections are expended in accordance with the sales tax ballot.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds. Further, this condition resulted in noncompliance with state statutes resulting in the misappropriation of sales tax revenues.

Recommendation: OSAI recommends the County implement internal control procedures to ensure compliance with purchasing statutes. In addition, OSAI recommends management design and implement policies and procedures to ensure sales tax expenditures are made in accordance with the sales tax ballot that was approved by the citizens of the County. Further, we recommend these funds be returned to the sales tax fund in which they were intended. The Board of County Commissioners should consult with the District Attorney Office to determine allowable usage of residual sales tax funds.

Management Response:

Chairman of the Board: Pittsburg County will seek advice from the District Attorney and the Economic Development Authority Bond Attorney regarding this manner.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

Further, Title 68 O.S. § 1370.E states in part, "... the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated...."

Sales Tax ballot as approved October 11, 2005 designated the proceeds to be used specifically for the Pittsburg County Jail, Pittsburg County Courthouse and Pittsburg County Animal Shelter. The ballot states in part, "constructing, renovating, expanding, equipping the Pittsburg County Jail; acquisition of real

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

property constructing, renovating, expanding and furnishing the Pittsburg County Court House; and acquisition of real property, constructing, equipping a new Pittsburg County Animal Shelter.”

Sales Tax Agreement executed December 1st, 2005 states in part, “2. The County hereby pledges to the Authority all its right, title and interest in the said Sales Tax Revenues, *to the extent necessary to repay any and all indebtedness incurred in regard to the Projects*, including the Bonds or other subsequent indebtedness, and to the extent necessary for expenses and operations of the Projects, including, but not limited to administration costs, audit fees, consultant fees, expenses of the Authority and legal fees of the Authority. The County hereby expressly and unconditionally grants to the Authority the power to pledge and assign the said Sales Tax Revenues to the payment of the Bonds, which shall be assigned to BancFirst, Oklahoma City, Oklahoma, as Trustee Bank ("Trustee"). The County will collect the Sales Tax Revenues, and as received, will pay to the Authority's Depository Bank who will, in turn, forward monies to the Trustee sufficient to make payments on the Bonds, the related costs and expenses thereto, and the Projects costs. *Any excess Sales Tax Revenues shall remain with the Authority to be utilized for operation and maintenance expenses of the Projects* as aforesaid herein, or for accelerated payments on the Bonds.”

Legal Advice received by County October 6th, 2015 from the Authority's legal counsel state in part” Kevin has asked me about the proper use of excess funds which have accumulated at The Bank, N.A. pursuant to the Depository Agreement dated December 1, 2005, as amended. Section 2 of this document specifies Accumulation and Disbursement of Revenues. Sub-paragraphs (a) through (f) establish what is called in our business, a waterfall. It outlines the order of priority of disbursements. In our case, the operative paragraph is on page 3 and reads as follows:

"Any remaining funds in the Gross Revenue Account after provision for disbursement hereinabove shall be permitted to accumulate in the Gross Revenue Fund in accordance with the Sales Tax Agreement for the Authority and the County, and may be used for redemption of the Bonds and for any proper purpose of the Authority."

All of the Authority's bonds have now been defeased. Therefore, the excess funds may be used for any proper purpose of the Authority. A proper purpose is, of course, any governmental purpose. After thinking about this, my recommendation is that the excess funds stay exactly where they are, under control of the Authority, and requisitioned out for disbursement. Pursuant to Title 60 Oklahoma Statutes 2011 Section 176 (H), any contract for construction, labor, etc. in excess of \$ 50,000 must be competitively bid. You also may use construction management as an alternative for your projects.

SECTION 3—Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2016-014 – Inadequate County-Wide Internal Controls Over Major Federal Program - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

Chairman of Board of County Commissioners: Pittsburg County will make every effort to comply with the recommendation of OSAI.

County Clerk: Pittsburg County has addressed the issue with the elected officials as to ensuring the compliance requirements are met for each individual grant.

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

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

**PITTSBURG COUNTY, OKLAHOMA
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management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2016-015 Inadequate Internal Controls Over Major Federal Program - FEMA

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal grant requirements.

Effect of Condition: This condition could result in noncompliance with grant requirements and loss of federal funds to the County.

Recommendation: OSAI recommends that the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with grant requirements.

Management Response:

Chairman of Board of County Commissioners: Pittsburg County will ensure that the requirements for each grant are given to the appropriate department when grants are approved and will make every effort to ensure their compliance.

County Clerk: Pittsburg County has addressed the issue, in an elected official meeting, as to the necessity of the CFDA information for each grant.

Criteria: 2 CFR § 200.303 *Internal Controls (a)* reads as follows:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the

**PITTSBURG COUNTY, OKLAHOMA
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United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Further, accountability and stewardship should be overall goals in management’s accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Finding 2016-016 – Noncompliance Over Major Federal Program

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4222

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$68,294

Condition: Program disbursements totaling \$91,058 were not expended in accordance with the allowable Costs/Cost Principles due to incorrect rates, unsubstantiated charges, duplicated charges and ineligible work. The federal share (75%) of these disbursements results in \$68,294 of federal questioned costs.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with Uniform Grant Guidance and applicable compliance requirement for Public Assistance Grant.

Effect of Condition: These conditions resulted in noncompliance with grant requirements. The County runs the risk of misappropriation of funds and could hinder the County from receiving future federal funding. Further, this could result in the repayment of grant funds to the grantor agency.

Recommendation: OSAI recommends that the County design and implement policies and procedures to ensure compliance with applicable grant requirements.

Management Response:

Chairman of the Board: Every effort will be made to ensure over-time amounts are correct before reporting the Schedule of Expenditures of Federal Awards (SEFA) and in the future we will have any errors corrected with FEMA before the report is filed.

County Clerk: The County will make every effort as to the accuracy of the project worksheet before it is completed and gather the proper compliance information for each grant.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Criteria: Accountability and stewardship should be overall goals in management's accounting of federal awards. Internal controls should be designed to monitor compliance with laws and regulations pertaining to federal awards.

2 CFR § 200.403 (g) Factors affecting allowability costs

Be adequately documented.

44 CFR § 206.228 Allowable costs (a) Eligible direct costs

(1) *Applicant-owned equipment.* Reimbursement for ownership and operation costs of applicant-owned equipment used to perform eligible work shall be provided in accordance with the following guidelines.

(iii) *No established rates.* The FEMA Schedule of Equipment Rates will be the basis for reimbursement in all cases where an applicant does not have established equipment rates.

44 CFR § 206.228 Allowable costs (a) Eligible direct costs

(2) *Force Account Labor Costs.* The straight- or regular-time salaries and benefits of a recipient's or subrecipient's permanently employed personnel are:

(iii) Not eligible in calculating the cost of other eligible emergency protective measures under sections 403 and 502 of the Stafford Act, except for those [costs](#) associated with host state evacuation and sheltering, as established in [§ 206.202](#).

SECTION 4—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 2016-009 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding)

Condition: Upon inquiry and observation of the expenditure process for the Court Fund, it was noted that the Court Clerk performs the following:

- Requisitions;
- Prepares claims;
- Verifies goods/services were received;
- Approves claim for payment;
- Prepares voucher for payment;
- Registers vouchers with Treasurer; and
- Disburses voucher to vendor.

Cause of Condition: Since the Court Clerk is ultimately responsible for the Court Fund, she feels it is her responsibility to perform the related duties.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Recommendation: OSAI recommends that procedures be developed to separate key functions of the Court Fund expenditure process. 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 concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

Court Clerk: I have reviewed the audit findings and will implement new procedures to prepare claims, approve claims, prepare vouchers, sign vouchers, and reconcile accounts so that there is a better segregation of duties. However, it is hard to have a proper segregation of duties when you do not have enough employees to cover the case load. I have asked the County Commissioners for, and have been denied, an employee for the last two years. I will once again ask for an employee next year.

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, approving the claim, preparing the vouchers, signing the vouchers, and reconciliation of the accounts should be segregated.

Finding 2016-010 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Checking Fund Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following weaknesses were noted:

- One employee opens mail, collects cash from kiosk machine, receipts monies, prepares deposits, posts deposits, receives deposit slips, controls bank statements, and performs reconciliation for the Inmate Trust Fund Checking Account.
- One employee prepares disbursements, prints checks, has administrative rights to the software program, and is an authorized check signer for the account.
- The Inmate Trust Fund Checking Account balance is not reconciled to the total of the inmates' balances.
- Receipts were not clearly marked for the purpose of Inmate Trust Fund Checking Account.
- Bank reconciliations were not properly performed.
- Deposits were not made daily.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the one hundred fifty-seven (157) disbursements/checks tested:
 - Five (5) were issued to bondsman.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances.
- The inmate's trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily.
- The Sheriff should file a report of the commissary with the Board of County Commissioners by January 15th, of each year as required by 19 O.S. § 180.43 (D).
- All checks from the Inmate Trust Fund Checking Account should have two authorized signatures.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531.

Management Response:

County Sheriff: The following policies and procedures will be implemented:

- There will be two employees to open mail, collect cash from kiosk machines, sign off on receipting monies, prepare deposits, and do bank reconciliations.
- The employee preparing disbursements, and printing of checks will not be authorized to sign checks for the account. All checks shall have two signatures.
- The Inmate Trust Fund Checking Account is now balanced and reconciled on a monthly basis.
- Efforts will be made to do daily deposits.
- The annual report for the Commissary Fund has now been filed with the Board of County Commissioners and will be by January 15 of each year.
- New policies are in effect to no longer issue checks to bondsmen.
- The duties and responsibilities for the Inmate Trust Fund has now been assigned to more than one individual.

Criteria: Effective internal controls include management properly implementing procedures to ensure that collections and expenditures of inmate funds comply with 19 O.S. § 531 and that internal control procedures be implemented to ensure the safeguarding of inmate trust funds. In addition, effective internal controls include management properly implementing procedures to ensure compliance with 19 O.S. § 180.43 regarding the Sheriff's Commissary.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-011 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Records and Consumable Inventory (Repeat Finding)

Condition: While gaining an understanding of internal controls over fixed assets, and testing compliance with state statutes over fixed assets, we noted the following:

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1 for the following offices/departments: County Sheriff, Animal Shelter, District 1, and the following Fire Departments: Alderson, Ashland, Blue, Crowder, Highill, Krebs, Canadian Shores, Quinton, Union Chapel, Haywood-Arpelar, Savanna, Kiowa, Sam's Point, Canadian, Bugtussle, McAlester, Highway 9, Tannehill, Elm Point, Russellville, Halleyville, Arrowhead Estates, and Carlton Landing.

Additionally, upon inquiry of County personnel, observation, review of documents, and performing testwork, regarding consumable inventories, it was noted that County Commissioner District 1, 2, and 3 did not reconcile the actual fuel on hand to fuel logs. In addition, an inventory of all consumable items is not maintained.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count, creating and maintaining of a fixed assets inventory record, and properly identifying fixed assets. Also, policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of consumable inventory by performing physical inventory counts, maintaining of the consumable inventory records, and performing reconciliations between fuel records and the actual fuel on hand.

Effect of Condition: These conditions resulted in noncompliance with state statute regarding fixed assets and consumable inventories. Additionally, failure to maintain accurate records of fixed assets and consumable inventories and failure to perform a periodic physical inventory of fixed assets and consumable inventories could result in inaccurate records, unauthorized use of assets, or misappropriation of assets.

Recommendation: OSAI recommends the County Officers implement internal controls to ensure compliance with 19 O.S. § 178.1 and 178.2 regarding fixed assets inventory records. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the receiving officer or inventory officer.
- Complete and up to date inventory records are filed with the County Clerk.

OSAI also recommends management implement internal controls to ensure compliance with 19 O.S. § 1504.A. These controls would include:

- Performing and documenting a periodic physical count of inventory.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Maintaining consumable cards for all consumable items.
- Reconciling fuel log to fuel on hand on a weekly basis and explain any variance or adjustments.

Management Response:

County Commissioner District 1: I will designate another employee(s) to help conduct inventory.

County Commissioner District 2: I will address this finding with inventory officers and determine the best course of action to be taken.

County Commissioner District 3: I will make every effort to correct this finding and designate another employee(s) to help conduct inventory.

County Sheriff: I will ensure someone other than the inventory officer or the receiving officer will conduct inventory.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Effective internal controls include management design procedures to ensure that all fixed assets records be maintained to comply with 19 O.S. § 178.1 and 19 O.S. § 178.2.

Effective internal controls include management design procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department to ensure compliance with 19 O.S. § 1504A.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



Board of County Commissioners, Pittsburg County

Charlie Rogers
District #1

Kevin Smith
District #2

Ross Selman
District #3

Corrective Action Plan
In accordance with CFR § 200.511c
for the year ended June 30, 2016

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Inadequate Segregation of Duties for County Treasurer	The Treasurer's Office will design policies to ensure the monthly reports and the bank reconciliations will be reviewed and approved. Documentation of the approval will be retained	Sept 28, 2017	Donna Scrivner, County Treasurer
2016-002	Inadequate Internal Controls Over IT - County Treasurer	The Treasurer's Office will review processes regarding information technology to ensure controls are adequate.	Sept 28, 2017	Donna Scrivner, County Treasurer
2016-003	Inadequate Internal Controls Over Signature Stamp – County Treasurer	The Treasurer's Office will design policies to adequately safeguarded signature stamps from unauthorized use.	Sept 28, 2017	Donna Scrivner, County Treasurer
2016-004	Inadequate Segregation of Duties for Payroll	The County Clerk's office will work towards implementing a checks and balance system for payroll, this will include another deputy reviewing payroll for correctness.	Sept 27, 2017	Hope Trammell, County Clerk
2016-005	Inadequate Internal Controls and Noncompliance Over Sales Tax Expenditures	Pittsburg County will be seeking advice from the District Attorney and the Economic Development Authority bond Attorney regarding this manner.	Dec 30, 2017	Kevin Smith Chairman BOCC
2016-014	97.036 – Disaster Grants – Public Assistance	Pittsburg County will make every effort to comply with the recommendation of OSAL. Pittsburg County has addressed the issue with the elected officials as to ensuring the	Sept 27, 2017	Kevin Smith Chairman BOCC



Board of County Commissioners, Pittsburg County

Charlie Rogers
District #1

Kevin Smith
District #2

Ross Selman
District #3

		compliance requirements are met for each individual grant.		Hope Trammell, County Clerk
2016-015	97.036 – Disaster Grants – Public Assistance	<p>Pittsburg County will ensure that the requirements for each grant are given to the appropriate department when grants are approved and will make every effort to ensure their compliance.</p> <p>Pittsburg County will ensure that the requirements for each grant are given to the appropriate department when grants are approved and will make every effort to ensure their compliance.</p>	Sept 27, 2017	<p>Kevin Smith Chairman BOCC</p> <p>Hope Trammell, County Clerk</p>
2016-016	97.036 – Disaster Grants – Public Assistance	<p>Every effort will be made to ensure over-time amounts are correct before reporting the Schedule of Expenditures of Federal Awards (SEFA) and in the future we will have any errors corrected with FEMA before report is filed.</p> <p>The County will make every effort as to the accuracy of the project worksheet before it is completed and gather the proper compliance information for each grant.</p>	Sept 27, 2017	<p>Kevin Smith Chairman BOCC</p> <p>Hope Trammell, County Clerk</p>

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



Board of County Commissioners, Pittsburg County

*Charlie Rogers
District #1*

*Kevin Smith
District #2*

*Ross Selman
District #3*

**Schedule of Prior Year Findings and Questioned Costs
in accordance with 2 CFR 200.511b
for the fiscal year ended June 30, 2016**

FINANCIAL AUDIT FINDINGS

Finding 2008-001, 2009-001, 2010-001, 2011-001, 2012-001

Inadequate County-Wide Controls

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

Status: Fully Corrected

Finding 2008-003, 2009-003, 2010-003, 2011-003, 2012-003

Inadequate Segregation of Duties for County Treasurer

Finding Summary: One individual in the County Treasurer's Office has concentration of pertinent revenue collection duties with little oversight, due to limited personnel.

Status: Not Corrected

Planned Corrective Action: The Treasurer's Office will design policies to ensure the monthly reports and the bank reconciliations will be reviewed and approved. Documentation of the approval will be retained.

Finding 2011-004, 2012-004

Inadequate Internal Controls Over Signature Stamps – County Treasurer

Initial Year of Finding: 2011

Repeat Finding in Years: 2012

Finding Summary: Signature Stamps are not maintained in a secured location and usage is not limited.

Status: Not Corrected

Planned Corrective Action: The Treasurer's Office will design policies to adequately safeguarded signature stamps from unauthorized use.

Finding 2008-07, 2009-007, 2010-007, 2011-006, 2012-006

Inadequate Segregation of Duties for Payroll

Finding Summary: One individual in the County Clerks' Office has concentration of pertinent payroll duties with little oversight, due to budget constraints.

Status: Not Corrected

Planned Corrective Action: The County Clerk's office will work towards implementing a checks and balance system for payroll, this will include another deputy reviewing payroll for correctness.

Finding 2011-010, 2012-010

Inadequate Internal Controls and Noncompliance Over Pledge Collateral

Finding Summary: County funds were not monitored to ensure they were adequately secured.

Status: Fully Corrected



Board of County Commissioners, Pittsburg County

*Charlie Rogers
District #1*

*Kevin Smith
District #2*

*Ross Selman
District #3*

FEDERAL AUDIT FINDINGS

Finding 2012-018

Inadequate County-Wide Internal Controls Over Federal Programs-CDBG and HMPG

PASS THROUGH GRANTOR: Oklahoma Department of Commerce, Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Housing and Urban Development, U.S. Department of Homeland Security

CFDA NO:14.228, 97.036

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CDBG), Hazard Mitigation Grant (HMPG)

FEDERAL AWARD NUMBER: 14137 CDBG 10, HM 1754, HM 1820

FEDERAL AWARD YEAR: 2012

CONTROL CATEGORY: Activities Allowed; Allowable Cost; Cash Management; Eligibility; Matching Level of Effort/Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Subrecipient Monitoring

QUESTIONED COSTS: \$-0-

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

Status: We do not believe this finding warrants further action because two years have passed since the audit report in which the finding occurred was submitted to the FAC, the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.

Finding 2012-019

Inadequate Internal Controls Over Federal Programs-CDBG and HMPG

PASS THROUGH GRANTOR: Oklahoma Department of Commerce, Oklahoma Department of Emergency Management
FEDERAL AGENCY: United States Department of Housing and Urban Development, U.S. Department of Homeland Security

CFDA NO:14.228, 97.036

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CDBG), Hazard Mitigation Grant (HMPG)

FEDERAL AWARD NUMBER: 14137 CDBG 10, HM 1754, HM 1820

FEDERAL AWARD YEAR: 2012

CONTROL CATEGORY: Activities Allowed; Allowable Cost; Cash Management; Eligibility; Matching Level of Effort/Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Subrecipient Monitoring

QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed; Allowable Cost; Cash Management; Eligibility; Matching Level of Effort/Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Subrecipient Monitoring.

Status: We do not believe this finding warrants further action because two years have passed since the audit report in which the finding occurred was submitted to the FAC, the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and a management decision was not issued.



Cindy Byrd, CPA | State Auditor & Inspector

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