



PITTSBURG COUNTY

Financial Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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August 18, 2020

TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pittsburg County, Oklahoma for the fiscal year ended June 30, 2017. 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". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**PITTSBURG COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

District 1 – Monroe Lemons
District 2 – Kevin Smith
District 3 – Ross Selman

County Assessor

Michelle Fields

County Clerk

Hope Trammell

County Sheriff

Chris Morris

County Treasurer

Donna Scrivner

Court Clerk

Cindy Ledford

District Attorney

Chuck Sullivan

**PITTSBURG COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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, 2017, 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 statement 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, 2017, 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, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary 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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2020, 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 written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

August 17, 2020

REGULATORY BASIS FINANCIAL STATEMENT

PITTSBURG COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
General	\$ 941,334	\$ 5,022,225	\$ -	\$ -	\$ 5,043,637	\$ 919,922
County Sinking	18,884	-	-	-	-	18,884
County Highway	2,493,133	6,639,705	273,040	87,476	6,337,122	2,981,280
Federal Emergency Management	58	-	-	-	-	58
County Health Department	975,489	1,314,425	-	-	1,349,764	940,150
Treasurer Mortgage Tax Certification Fee	40,360	8,907	-	-	5	49,262
Resale Property	599,511	307,631	-	-	185,495	721,647
County Clerk Lien Fee	182,882	40,191	-	-	-	223,073
Assessor Visual Inspection	23,173	7,448	-	-	13,086	17,535
Civil Defense	179,828	86,960	-	-	137,581	129,207
DHS Attendant Care	1,793	-	-	-	-	1,793
County Clerk Records Preservation	123,615	63,637	-	-	46,577	140,675
Sheriff Service Fee	175,859	789,352	-	-	867,590	97,621
CEL - Corps of Engineers	3,858	12,791	-	-	13,718	2,931
Youth Services Travel	7	-	-	-	-	7
Juvenile Detention Building and Maintenance	25,704	121	-	-	4,975	20,850
REAP	-	73,405	-	-	73,405	-
Local Emergency Planning Program	11,398	-	-	-	-	11,398
Jail Maintenance and Operation	1,191,413	1,151,856	-	-	1,377,181	966,088
Animal Shelter Maintenance and Operation	886,235	444,822	-	-	560,227	770,830
Emergency Disaster Relief Donation	32,502	187	-	-	-	32,689
E-911	27,446	371,466	-	-	361,831	37,081
Animal Shelter Donations	16,323	4,350	-	-	2,258	18,415
County Fire Tax	3,447,461	1,574,799	-	-	1,809,347	3,212,913
Sheriff Training	446	-	-	-	100	346
Sheriff Commissary	73,225	144,301	-	-	181,082	36,444
Local Emergency Preparedness Grant	5,487	1,000	-	-	920	5,567
Litter Reward Revolving Fund	1,318	97	-	-	-	1,415
CDBG	-	178,821	-	-	178,821	-
Oklahoma Bar Association Donation	453	5,890	-	-	6,343	-
Highway Sales Tax	1,520,823	6,071,682	-	-	5,553,857	2,038,648
District 18 Drug Court	60,461	200,278	-	-	167,812	92,927
Combined Total - All County Funds	\$ 13,060,479	\$ 24,516,347	\$ 273,040	\$ 87,476	\$ 24,272,734	\$ 13,489,656

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, 2017**

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 judgements. 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, 2017**

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.

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 state statute.

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

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

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

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

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

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

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 Maintenance and Operation – 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, 2017**

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.

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.

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

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.

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.

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

CDBG – accounts for the federal funds received to fund the replacement of water lines in Rural Water District 7.

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

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

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.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

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

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents 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).

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

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, 2017**

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 sales tax on October 11, 2015 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 Maintenance and Operation and Animal Shelter Maintenance and Operation funds.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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-Arpelar, 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 \$35,501 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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 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.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

F. Interfund Transfers

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

- \$273,040 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.
- \$87,476 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.

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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 941,334	\$ 941,334	\$ -
Less: Prior Year Encumbrances	(101,410)	(104,479)	(3,069)
Beginning Cash Balances, Budgetary Basis	839,924	836,855	(3,069)
 Total Receipts, Budgetary Basis	 4,742,868	 5,022,225	 279,357
Total Expenditures, Budgetary Basis	5,582,792	5,096,566	486,226
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 762,514	 \$ 762,514
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		157,408	
Ending Cash Balance		\$ 919,922	

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, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 975,489	\$ 975,489	\$ -
Less: Prior Year Encumbrances	(148,901)	(141,579)	7,322
Beginning Cash Balances, Budgetary Basis	826,588	833,910	7,322
 Total Receipts, Budgetary Basis	 1,233,373	 1,314,425	 81,052
 Total Expenditures, Budgetary Basis	 2,059,961	 1,308,606	 751,355
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 839,729	 \$ 839,729
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		100,421	
Ending Cash Balance		\$ 940,150	

**PITTSBURG COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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.

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, 2017, 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 August 17, 2020.

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, 2017, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

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.

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. 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.



Our consideration of internal control was for the limited purpose described in the first 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2017-001, 2017-003, and 2017-004.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 responses. 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

August 17, 2020

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2017-001 – 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, 2013-003, and 2016-001)

Condition: The duties over the collection process in the County Treasurer’s office are not properly segregated.

- One deputy balances the cash drawer, prepares the deposit, post daily receipts to the daily reports and general ledger, posts apportionments to the general ledger, prepares the monthly reports, and reconciles the bank accounts. This deputy also routinely issues miscellaneous receipts and issues other receipts when needed.
- All employees work from the same cash drawer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties over the collection process in the County Treasurer’s office.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: 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 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 process 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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

County Treasurer: As a new Treasurer, I am working toward segregating the duties of my office. The Treasurer's office has implemented procedures to ensure all deposits, ledgers and reconciling bank statements are always reviewed by another person. Also, we have established separate cash drawers for all employees receiving cash.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-003 – Internal Controls Over Signature Stamp – County Treasurer (Repeat Finding 2011-004, 2012-004, 2013-004, and 2016-003)

Condition: Upon inquiry, observation, and review of documents, we noted the following internal control weakness:

- The employees of the County Treasurer’s office have access to the Treasurer’s two (2) 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 are used only by the official to whom it belongs.

Management Response:

County Treasurer: The signature stamps are now placed in a secure location when not in use. The two signature stamps are utilized for school district checks for which the County Treasurer serves as treasurer.

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

Criteria: The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.03 states:

Definition of Internal Control

Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-004 - Internal Controls Over the Payroll Process (Repeat Finding 2008-007, 2009-007, 2010-007, 2011-006, 2012-006, 2013-006, and 2016-004)

Condition: The duties over the payroll process in the County Clerk's office are not properly segregated.

- The Payroll Clerk enrolls new employees, inputs payroll information into the system, maintains personnel files, prepares the OPERS reports, state and federal tax reports, processes payroll claims, prints and reviews payroll verification reports for errors, prints payroll warrants, distributes payroll warrants, and has custody of payroll checks.

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.

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 this condition 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: Implementation of compensating controls includes the payroll verification report being checked by a second employee and the payroll checks being reviewed for accuracy by the County Clerk and Commissioners during the signature process. Additional compensating controls will include having another employee verify entered employee information.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.



Cindy Byrd, CPA | State Auditor & Inspector

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