

COUNTY AUDIT

PITTSBURG COUNTY

For the fiscal year ended June 30, 2012



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**PITTSBURG COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Oklahoma State Auditor & Inspector

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

August 20, 2014

TO THE CITIZENS OF
PITTSBURG COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pittsburg County, Oklahoma for the fiscal year ended June 30, 2012. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

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

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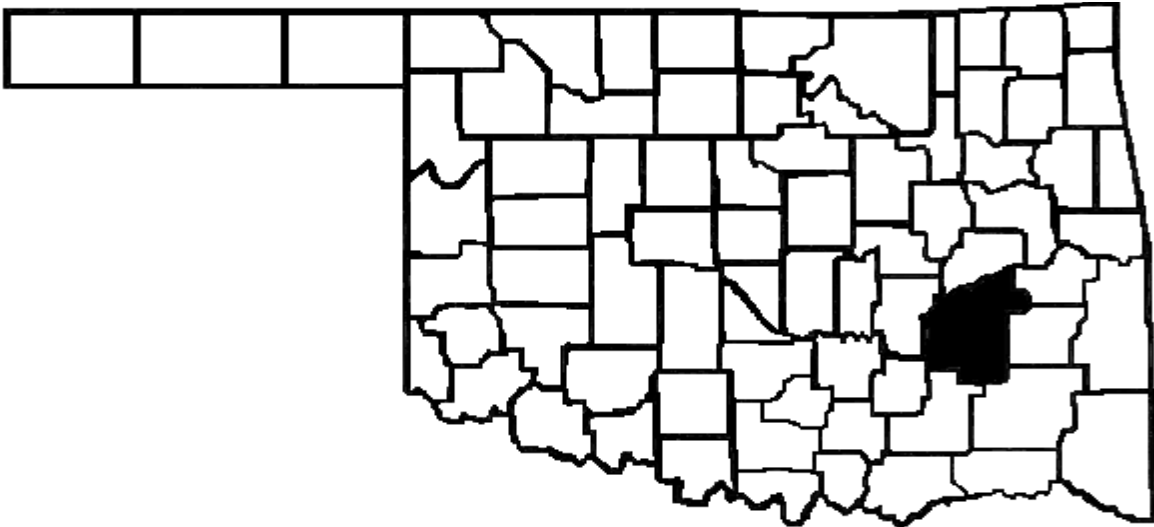
**PITTSBURG COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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



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

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

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

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

County Seat – McAlester

Area – 1,377.85 Square Miles

County Population – 45,211
(2009 est.)

Farms – 1,761

Land in Farms – 547,050 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

Board of County Commissioners

District 1 – Gene Rogers
District 2 – Kevin Smith
District 3 – Ronnie Young

County Assessor

Cathy Haynes

County Clerk

Janice Barker

County Sheriff

Joel Kerns

County Treasurer

Donna Scrivner

Court Clerk

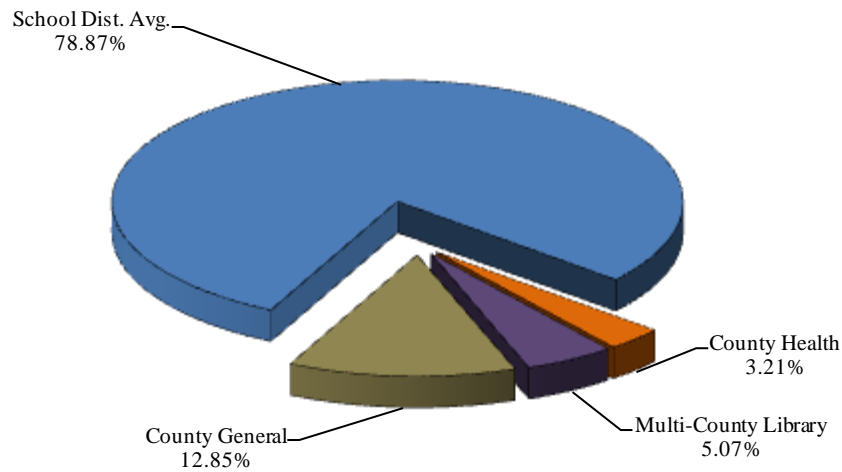
Cindy Eller Smith

District Attorney

Farley Ward

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

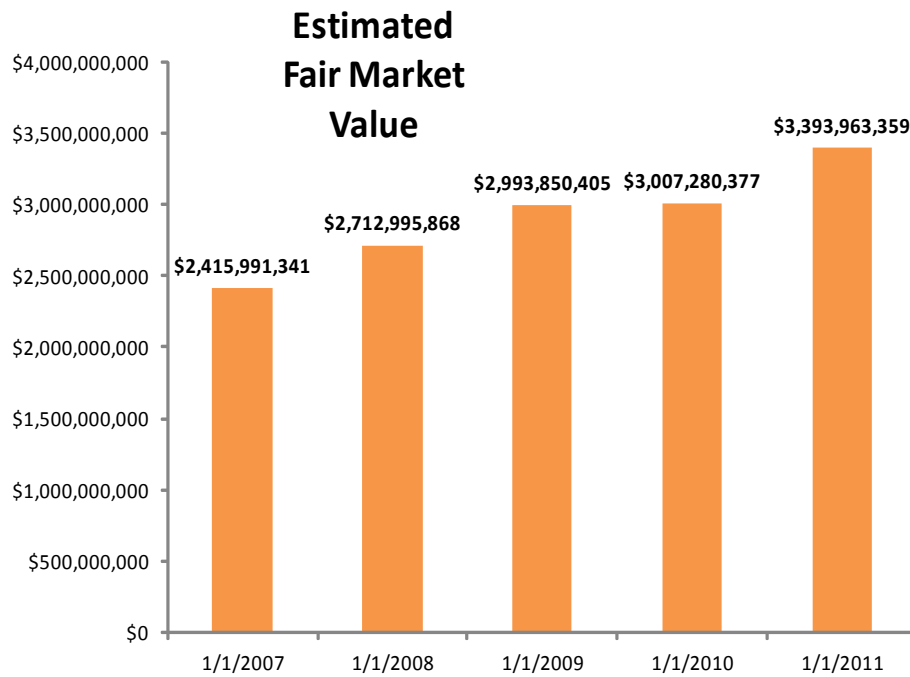
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.33								
County Health	2.58	Hartshome	Jl-1	35.93	5.13	-	12.40	4.13	57.59
Multi-County Library	4.07	Canadian	I-2	35.60	5.09	2.76	12.40	4.13	59.98
		Haileyville	I-11	36.74	5.25	3.39	12.40	4.13	61.91
		Kiowa	JA-14	36.57	5.22	-	12.40	4.13	58.32
		Quinton	JA-17	36.09	5.16	21.49	12.40	4.13	79.27
		Indianola	I-25	37.30	5.33	4.55	12.40	4.13	63.71
		Crowder	Jl-28	36.91	5.27	5.83	12.40	4.13	64.54
		Savanna	I-30	36.60	5.23	-	12.40	4.13	58.36
		Pittsburg	Jl-63	36.51	5.22	14.48	12.40	4.13	72.74
McAlester	I-80	35.76	5.11	-	12.40	4.13	57.40		

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

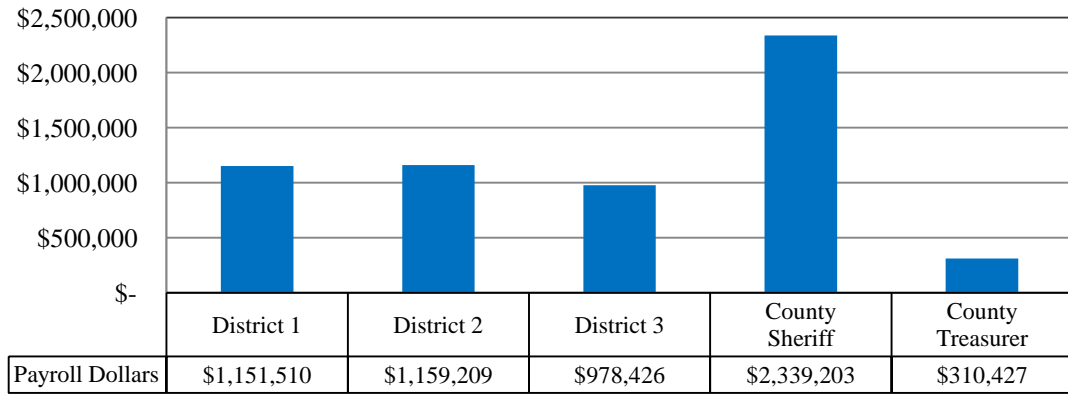
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$190,155,295	\$32,929,577	\$166,715,886	\$13,663,431	\$376,137,327	\$3,393,963,359
1/1/2010	\$156,163,311	\$28,592,139	\$160,341,461	\$13,562,896	\$331,534,015	\$3,007,280,377
1/1/2009	\$161,842,750	\$28,162,239	\$153,399,675	\$13,375,284	\$330,029,380	\$2,993,850,405
1/1/2008	\$140,161,559	\$27,409,067	\$144,563,453	\$13,331,537	\$298,802,542	\$2,712,995,868
1/1/2007	\$112,898,177	\$30,224,429	\$137,748,656	\$13,364,633	\$267,506,629	\$2,415,991,341



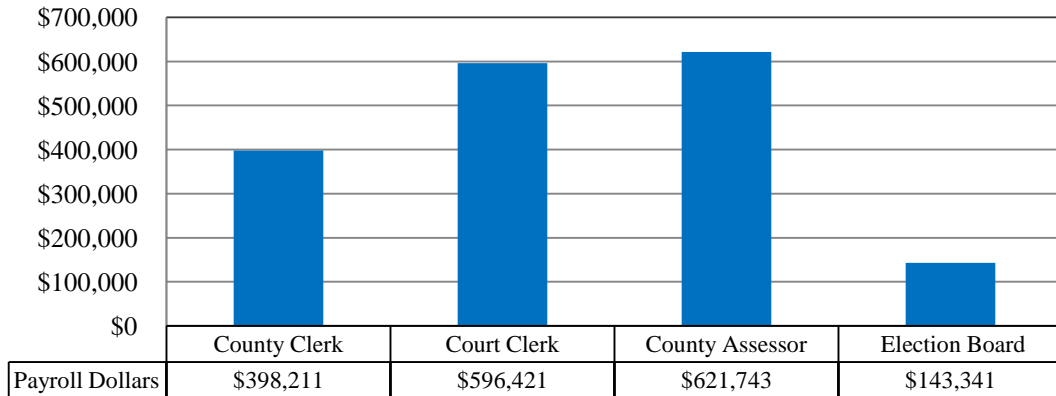
**PITTSBURG COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

Payroll Expenditures by Department



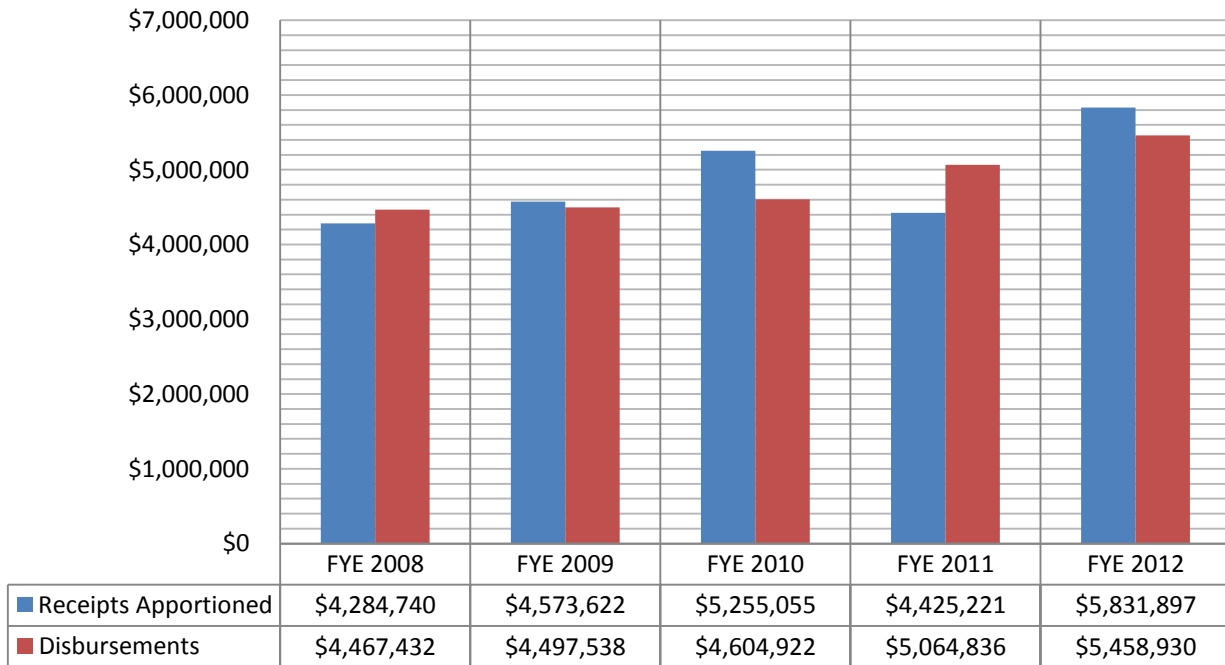
Payroll Expenditures by Department



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

County General Fund

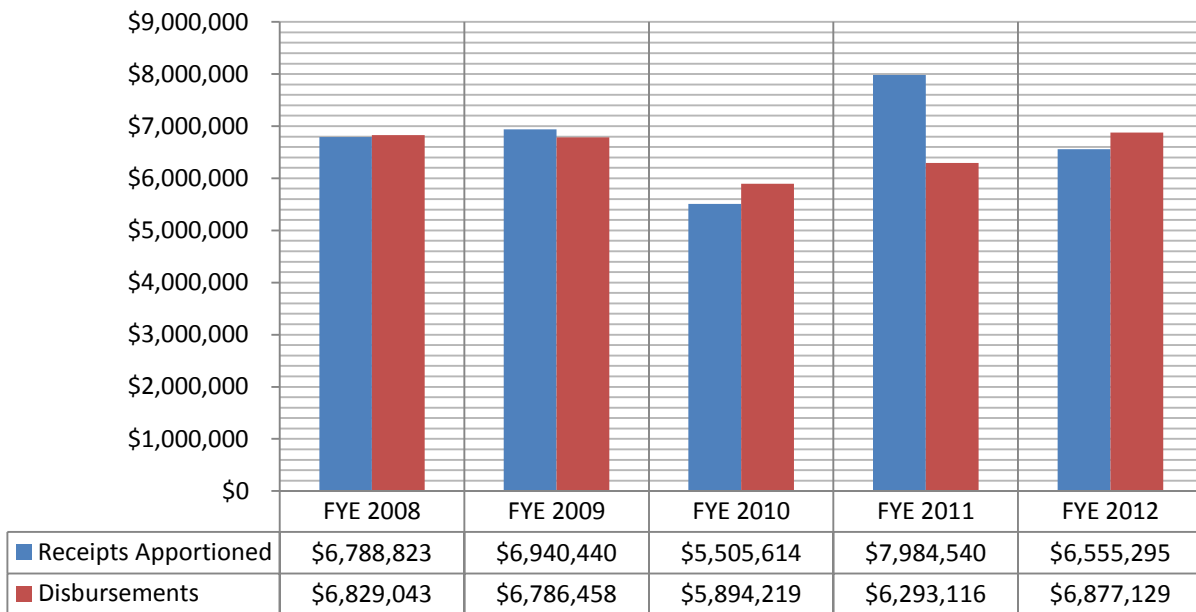
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**PITTSBURG COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Pittsburg County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2014, on our consideration of Pittsburg County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

August 19, 2014

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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:				
Major Funds:				
General Fund	\$ 882,653	\$ 5,831,897	\$ 5,458,930	\$ 1,255,620
County Sinking	18,861	16	-	18,877
Highway	3,691,721	6,555,295	6,877,129	3,369,887
Federal Emergency Management	146	238,128	238,216	58
County Health Department	796,829	1,226,331	882,226	1,140,934
Resale Property	241,211	198,196	142,967	296,440
Civil Defense	237,752	96,890	104,591	230,051
Sheriff Service Fee	663,597	1,453,128	902,857	1,213,868
REAP	-	270,326	259,331	10,995
Local Emergency Planning Program	14,645	2,602	2,726	14,521
Jail Construction and Renovation	474,333	2,164,184	1,159,349	1,479,168
Jail Maintenance and Operation	3,348,721	1,701,981	1,818,172	3,232,530
Courthouse Construction and Renovation	426,842	2,119,404	1,135,195	1,411,051
Animal Shelter Construction	45,845	225,197	120,765	150,277
Animal Shelter Maintenance and Operation	1,202,004	618,419	587,010	1,233,413
County Fire Tax	2,656,765	2,261,800	1,800,221	3,118,344
Local Emergency Preparedness Grant	2,100	900	415	2,585
CDBG	-	69,830	69,830	-
Remaining Aggregate Funds	378,774	640,984	590,523	429,235
Combined Total - All County Funds	\$ 15,082,799	\$ 25,675,508	\$ 22,150,453	\$ 18,607,854

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, 2012**

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 Fund - accounts for revenues 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 are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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

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

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

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 statute.

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

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

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

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 resolution.

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

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

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

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

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

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

CDBG - accounts for the federal funds received to fund the improvements made to Cabiness Road.

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

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, 2012**

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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible

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

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

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

A portion of this sales tax, one-half of one cent, expires October 11, 2024, or until principal and interest upon indebtedness is paid in full, whichever occurs earlier. The remaining one quarter sales tax is permanent. These funds are accounted for in Jail Construction and Renovation, Jail Maintenance 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.

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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 882,653	\$ 882,653	\$ -
Less: Prior Year Encumbrances	(144,689)	(140,342)	4,347
Beginning Cash Balances, Budgetary Basis	<u>737,964</u>	<u>742,311</u>	<u>4,347</u>
Receipts:			
Ad Valorem Taxes	3,500,449	3,503,689	3,240
Charges for Services	200,000	685,464	485,464
Intergovernmental Revenues	1,342,099	1,608,273	266,174
Miscellaneous Revenues	24,500	34,471	9,971
Total Receipts, Budgetary Basis	<u>5,067,048</u>	<u>5,831,897</u>	<u>764,849</u>
Expenditures:			
County Sheriff	954,813	952,266	2,547
County Treasurer	239,695	232,251	7,444
County Commissioner	261,977	261,972	5
OSU Extension	226,408	226,325	83
County Clerk	433,189	428,948	4,241
Court Clerk	245,832	245,425	407
County Assessor	298,003	295,921	2,082
Revaluation of Real Property	444,056	439,006	5,050
General Government	2,255,718	2,082,777	172,941
Excise-Equalization Board	11,000	7,452	3,548
County Election Board	174,862	172,833	2,029
Civil Defense	131,663	131,659	4
Juvenile Detention	30,000	12,042	17,958
Senior Citizen	3,000	3,000	-
KEDDO	1,596	1,596	-
Building Security	10,000	10,000	-
County Audit Budget Account	65,200	896	64,304
County Free Fair Budget	18,000	18,000	-
Total Expenditures, Budgetary Basis	<u>5,805,012</u>	<u>5,522,369</u>	<u>282,643</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ 1,051,839</u>	<u>\$ 1,051,839</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		<u>203,781</u>	
Ending Cash Balance		<u>\$ 1,255,620</u>	

**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, 2012**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 796,829	\$ 796,829	\$ -
Less: Prior Year Encumbrances	(37,513)	(5,126)	32,387
Beginning Cash Balances, Budgetary Basis	759,316	791,703	32,387
Receipts:			
Ad Valorem Taxes	882,213	875,074	(7,139)
Miscellaneous Revenues	231,832	351,257	119,425
Total Receipts, Budgetary Basis	1,114,045	1,226,331	112,286
Expenditures:			
Health and Welfare	1,873,361	954,198	919,163
Total Expenditures, Budgetary Basis	1,873,361	954,198	919,163
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,063,836	\$ 1,063,836
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		77,098	
Ending Cash Balance		\$ 1,140,934	

**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, 2012**

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Treasurer Mortgage Tax Certification Fee	\$ 11,250	\$ 9,604	\$ 2,547	\$ 18,307
County Clerk Lien Fee	97,623	61,728	86,347	73,004
Assessor Visual Inspection	32,460	6,149	3,952	34,657
DHS Attendant Care	1,793	-	-	1,793
County Clerk Records Preservation	57,300	62,460	53,915	65,845
Courthouse Security	42	-	42	-
CEL - Corps of Engineers	1,717	10,731	9,274	3,174
Youth Service Travel	7	-	-	7
Juvenile Detention Building and Maintenance	25,349	97	-	25,446
Emergency Disaster Relief Donation Fund	32,053	122	-	32,175
E-911	23,357	333,018	331,122	25,253
Animal Shelter Donations	7,133	1,527	278	8,382
Sheriff Training	1,386	418	538	1,266
Sheriff Commissary	87,095	154,733	102,508	139,320
Litter Reward Revolving Fund	209	397	-	606
Combined Total - Remaining Aggregate Funds	\$ 378,774	\$ 640,984	\$ 590,523	\$ 429,235

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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 statutes.

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

Assessor Visual Inspection - accounts for the collection and expenditure of monies by the 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.

Courthouse Security - accounts for the collection and disbursement of sheriff service fees as restricted by statute to be used enhance existing or providing additional courthouse security.

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, 2012**

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

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

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 were for expenses of conducting classes.

Sheriff Commissary - accounts for the monies received from the commissary sales and disbursement of funds is for commissary expenses 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 39,811
Total U.S. Department of Defense			<u>39,811</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	14137 CDBG 10	<u>69,830</u>
Total U.S. Department of Housing and Urban Development			<u>69,830</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		<u>150,866</u>
Total U.S. Department of Interior			<u>150,866</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Department of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>2,726</u>
Total U.S. Department of Transportation			<u>2,726</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Hazard Mitigation Grant	97.039	HM 1754	16,667
Hazard Mitigation Grant	97.039	HM 1820	238,128
Emergency Management Performance Grants	97.042		<u>32,321</u>
Total U.S. Department of Homeland Security			<u>287,116</u>
Total Expenditures of Federal Awards			<u>\$ 550,349</u>

**PITTSBURG COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Pittsburg County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated August 19, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pittsburg County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pittsburg County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2012-1, 2012-3, 2012-6, and 2012-10.

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 deficiency in internal control described in the accompanying schedule of findings and responses to be significant deficiency in internal control over financial reporting. 2012-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-10.

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

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

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



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

August 19, 2014



Oklahoma State Auditor & Inspector

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

Independent Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE OFFICERS OF
PITTSBURG COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Pittsburg County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Pittsburg County's major federal programs for the year ended June 30, 2012. Pittsburg County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of Pittsburg County's management. Our responsibility is to express an opinion on Pittsburg County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of Pittsburg County's compliance with those requirements.

In our opinion, Pittsburg County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Pittsburg County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pittsburg County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-18 and 2012-19 to be material weaknesses.

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

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



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

August 19, 2014

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified 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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

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

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

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

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

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

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

Examples of activities and procedures to address monitoring:

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

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

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

Management Response:

Chairman of the Board of County Commissioners: Pittsburg County will make every effort to ensure that monitoring procedures are written to address the needs of risk assessment and monitoring and will encourage all elected officials and department heads to attend and have their employees attend training and workshops.

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 management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2012-3 – Inadequate Segregation of Duties for County Treasurer (Repeat Finding)

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

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the Treasurer’s office.

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

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

Recommendation: OSAI recommends the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing/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 Treasurer's office, which include but are not limited to the following:

- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.

Management Response:

County Treasurer: The cashier for the day balances with all Treasurer collections for the day. That is then balanced again with the 1st Deputy along with miscellaneous receipts added for the daily deposit. At the end of the month all accounts are reconciled with other offices to ensure each account is balanced. Bank statements are reconciled and checked by the Treasurer.

Auditor Response: Although the Treasurer has reassigned some processes, the duties regarding the collection process are not adequately segregated.

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

Finding 2012-4 – Inadequate Internal Controls Over Signature Stamps – County Treasurer (Repeat Finding)

Condition: Upon inquiry, observation, and review of documents, we noted the following control weaknesses with regard to receipt, disbursement, and deposit process.

- The employees of the County Treasurer's office have access to the Treasurer's stamps; 1 of which the Treasurer keeps in an unsecure location, and the remaining 3 which are available for office use.

Cause of Condition: The County Treasurer does not have physical control of her signature stamps.

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

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

Recommendation: OSAI recommends that signature stamps be used only by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Treasurer: The signature stamps are now being locked in the vault at night. The 1st Deputy and School Deputy retain one each at their desk for the daily use for check registering.

Auditor Response: The Treasurer's signature stamps are not adequately safeguarded from unauthorized use.

Criteria: An 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 from loss, damage, or misappropriation.

Finding 2012-6 – Inadequate Segregation of Duties for Payroll (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed 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, and 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: With the limited personnel in the office, we will try implement procedures for another person to verify reports and payroll amounts before the payroll process is completed and warrants are printed.

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

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

Finding 2012-10 – Inadequate Internal Controls and Noncompliance Over Pledged Collateral (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the pledged collateral process, the following was noted:

- The County has not properly designed and implemented procedures to monitor the bank balance on a daily basis to ensure that County funds are adequately secured.
- County funds were not adequately secured with financial institutions for nineteen days during the audit period between the amounts of \$86,636.93 and \$9,453,593.07.

Cause of Condition: Procedures have not been designed to ensure that bank deposits are adequately secured.

Effect of Condition: This condition resulted in noncompliance with state statute. Failure to monitor that the bank balances are adequately secured, could result in unsecured and possible loss of County funds.

Recommendation: OSAI recommends that the County Treasurer designs procedures to compare bank balances to the fair market value of pledged collateral on a daily basis to ensure that County funds are adequately secured and that the County is in compliance with 62 O.S. § 517.4. Documentation for this daily procedure should be maintained.

Management Response:

County Treasurer: This matter is now being monitored daily by the Treasurer, 1st Deputy, and the Bank.

Criteria: Effective internal controls require that monitoring pledged securities be performed on a daily basis to ensure compliance with state statute.

Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

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

SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Finding 2012-18 – Inadequate County-Wide 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, United States Department of Homeland Security

CFDA NO: 14.228, 97.039

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-

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

Cause of Condition: Procedures have not been designed 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.

Examples of risks and procedures to address risk management for federal programs:

Risks	Procedures
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

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Examples of activities and procedures to address monitoring of federal programs:

Monitoring	Procedures
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

Management Response:

Chairman of the Board of County Commissioners: Pittsburg County will make every effort to implement a system of internal controls to ensure compliance of grant requirements.

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

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

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Finding 2012-19 – Inadequate Internal Controls Over Major 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, United States Department of Homeland Security

CFDA NO: 14.228, 97.039

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-

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; Allowable Cost; Cash Management; Eligibility; Matching Level of Effort/Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Subrecipient Monitoring.

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

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

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

Management Response:

Chairman of the Board of County Commissioners: Pittsburg County will make every effort to implement a system of internal controls to ensure compliance of grant requirements.

Criteria: *OMB Circular A-133 Subpart C §__.300* reads as follows:

Subpart C-Auditees

§__.300 Auditee responsibilities

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

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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.

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 2012-15 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary Funds (Repeat Finding)

Condition: Regarding the Inmate Trust Fund account, 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.
- One employee prepares disbursements, prints checks, authorizes checks by signing for both signatures, disburses checks and has administrative rights to software program.
- The ledgers for the Inmate Trust Fund Checking Account were not reconciled to the bank statement at June 30, 2012. A variance of \$6,777.43 was noted, and fees totaling \$128.00 were charged to bank account.
- Receipts are not clearly marked for the purpose of Inmate Trust Fund.
- Bank reconciliations are not performed.
- Deposits are 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.
- Two signatures on checks were not obtained for approval of disbursement.

After performing testwork regarding Inmate Trust Fund account expenditures, the following noncompliance was noted regarding the four hundred and forty seven disbursements/checks tested:

- Seven were issued to a family/friend for property release.
- Six were issued to bondsman.
- One was issued to the Pittsburg County Sheriff's Office for fines/cash bond.
- One was issued to the City of Krebs.
- Four were issued with only one authorized signature.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust Fund.

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Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, regulations or legislative intent. Also, without proper accounting and safeguarding of the Inmate Trust Fund, 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 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 County Commissioners by January 15th, of each year.
- All checks from the Inmate Trust Fund should have two authorized signatures.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

Management Response:

County Sheriff:

- There will always be two employees to open mail, collect cash from kiosk machines, sign off on receipting monies, sign off on prepared and posted deposits, and verify deposit slips to deposit reports.
- The employee that prints and disburses checks will not authorize checks by signing them; one employee will not sign for both signatures.
- The Inmate Trust Fund account balance will be matched to the total of inmate balances and profits held in account.
- Bank reconciliations will be performed on a monthly basis.
- Efforts will be made to deposit monies daily.
- The Sheriff's office will file an annual report for the Commissary Fund with the County Commissioners every year by January 15th.
- All checks will have two signatures from two different authorized employees.
- The ledgers for the Inmate Trust Fund will be reconciled for FYE June 30, 2012 to current; all variances will be fixed accordingly.
- Sheriff's Office administration will meet with a bank representative to request reimbursement for all fees charged to the account in FYE June 30, 2012. If the bank will not reimburse all or some fees charged to the account, the fees will be paid back to the Inmate Trust Fund out of the Sheriff's Commissary Profit Fund. The account will be changed to an appropriate government-type account to prevent future charges of fees.
- All receipts printed regarding Inmate Trust Fund monies are generated by the program created and maintained by the commissary company. The Sheriff's office administration will ask

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commissary company if receipts can be formatted to clearly mark them for the purpose of the Inmate Trust Fund.

- Going forward, no disbursements/checks will be issued to friends or family through property releases.
- Going forward, every effort will be made by employees that disbursements/checks from the Inmate Trust Fund will only be issued to inmates upon their release or to the Sheriff's Commissary Fund.
- The Sheriff's office administration will set forth procedures designed specifically for the management of the Inmate Trust Fund account to allow the practice of proper accounting to protect the Inmate Trust Fund from fraud or error and to be in compliance with state statutes/laws. The Sheriff's office administration will take into consideration all recommendations set forth by OSAI and act accordingly.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

19 O.S. § 180.43 E. and D. states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge." In addition, 19 O.S. § 531 C. states, "Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff's Service Cash Fund."

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Finding 2012-16 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents, regarding consumable inventories, the following was noted:

- The consumable inventory process is not adequately segregated. District 1, 2, and 3 each have one person that is in charge of consumable inventories and that person performs all key processes including recording, maintaining, and verifying consumable inventories.
- District 1, 2, and 3 did not retain documentation for the physical count of consumable inventories.
- District 1, 2, and 3 fuel logs were not reconciled to actual fuel on hand.
- For County Fire Departments with fuel, logs were not maintained to reconcile to actual fuel on hand.

Cause of Condition: Procedures have not been implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

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

- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining, and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information and with a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:

County Commissioner District 1: I will immediately address the three top issues and will have procedures in place to rectify as soon as possible. I will recommend developing a letter to all fire departments not using fuel cards that they either begin using fuel cards or start keeping a fuel log.

County Commissioner District 2: I will try to be more diligent in the record keeping of all consumable inventories and will assign someone other than the record keeper to perform yearly or semi-yearly checks of all inventory. I will also be more diligent in the reconciliation of the fuel logs to actual fuel on hand. I will recommend developing a letter to all fire departments not using fuel cards that they either begin using fuel cards or start keeping a fuel log. We will recommend to the fire department to go to a state preferred fuel vendor.

County Commissioner District 3: I will have more than one person verify consumables and inventory. For the fuel, we now have state preferred vendor fuel cards. I will recommend developing a letter to all fire departments not using fuel cards that they either begin using fuel cards or start keeping a fuel log.

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Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.

Finding 2012-17 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry and observation the following weaknesses over fixed asset inventories were noted:

- The County has not designed internal controls to provide for adequate segregation of duties over the fixed assets inventory process.
- The County has not designed procedures to perform and document annual physical inventories of all fixed assets.
- The offices of County Sheriff, Court Clerk, Emergency Management and County Fire Department's inventory records were incomplete and were not on file with the County Clerk's office.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with state statute regarding the identification and accounting of fixed assets.

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: Pittsburg County will make every effort to segregate the duties where fixed assets are concerned. The County has not designed procedures to perform and document an annual physical inventory of all fixed assets. Pittsburg County will make every effort to ensure that an annual audit of physical inventory is performed and documented. Pittsburg County

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will make every effort to ensure that an employee other than the one in charge of keeping track of the inventory performs said audit. Pittsburg County will make every effort to notify the County Sheriff, Court Clerk, Emergency Management Director and County Fire Chiefs that their inventories must be on file with the County Clerk and must be kept up-to-date.

County Sheriff: Inventory is being maintained at our office. We will perform annual inventory and file with the County Clerk.

Court Clerk: A current inventory list is in the process of being prepared. It is my goal to have it completed and filed in the County Clerk's office by the end of August, 2014.

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

Title 19 O.S. § 178.1 requires the county to have a system of identification for the inventory of fixed assets.

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No prior year findings reported.



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