

COUNTY AUDIT

PITTSBURG COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

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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, 2013. 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 "Gary A. Jones".

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

**PITTSBURG COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**PITTSBURG COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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 – 45,048
(2012 est.)

Farms – 1,761

Land in Farms – 547,050 Acres

Primary Source: Oklahoma Almanac 2013-2014

**PITTSBURG COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

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

County Assessor

Cathy Haynes

County Clerk

Hope Trammell

County Sheriff

Joel Kerns

County Treasurer

Donna Scrivner

Court Clerk

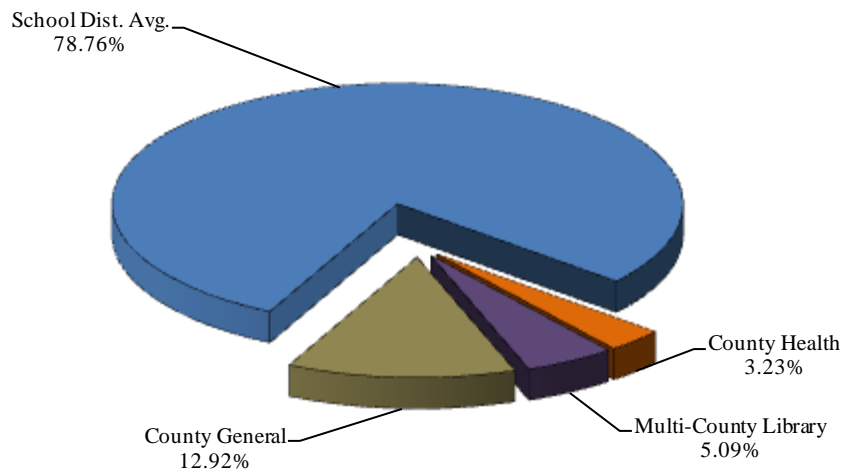
Cindy Eller Smith

District Attorney

Farley Ward

**PITTSBURG COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

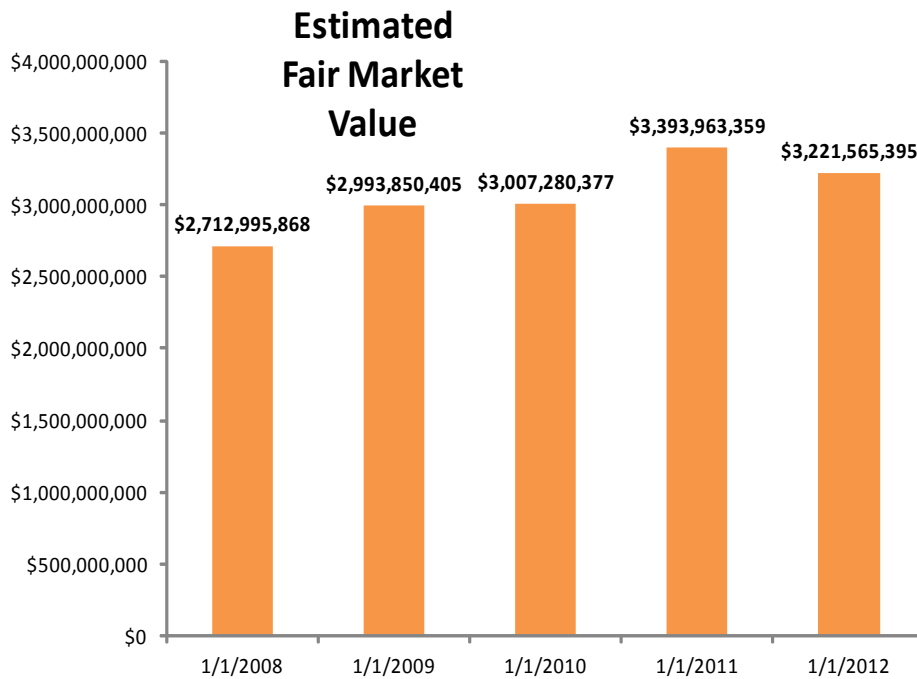
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Skd.	Career Tech	Common	Total
County General	10.33								
County Health	2.58	Hartshome	J1-1	35.93	5.13	-	12.40	4.13	57.59
Multi-County Library	4.07	Canadian	I-2	35.60	5.09	2.64	12.40	4.13	59.86
		Haileyville	I-11	36.74	5.25	3.12	12.40	4.13	61.64
		Kiowa	JA-14	36.57	5.22	-	12.40	4.13	58.32
		Quinton	JA-17	36.09	5.16	18.82	12.40	4.13	76.60
		Indianola	I-25	37.30	5.33	4.45	12.40	4.13	63.61
		Crowder	J1-28	36.91	5.27	6.05	12.40	4.13	64.76
		Savanna	I-30	36.60	5.23	-	12.40	4.13	58.36
Pittsburg	J1-63	36.51	5.22	13.19	12.40	4.13	71.45		
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, 2013**

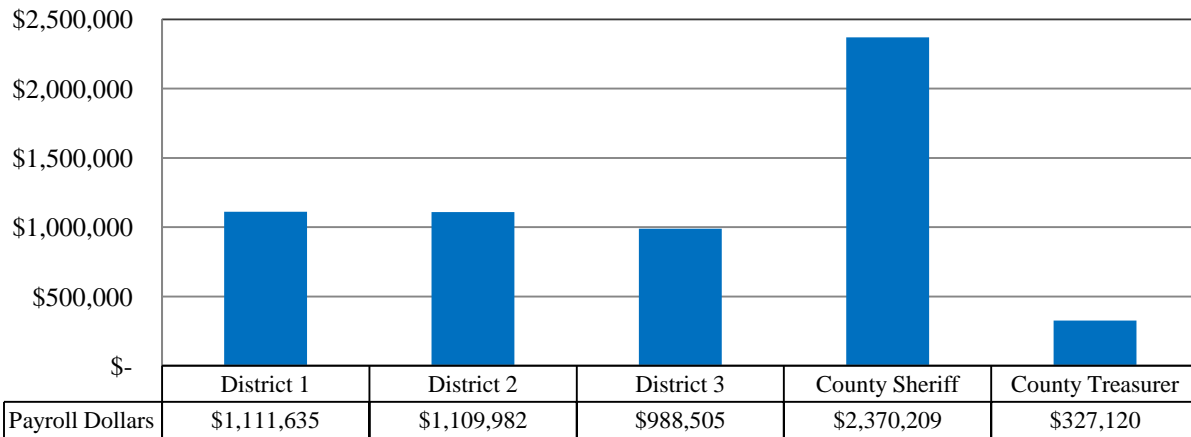
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$166,499,439	\$32,426,197	\$171,659,656	\$13,543,270	\$357,042,022	\$3,221,565,395
1/1/2011	\$190,155,295	\$32,929,577	\$166,715,886	\$13,663,431	\$376,137,327	\$3,393,963,359
1/1/2010	\$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



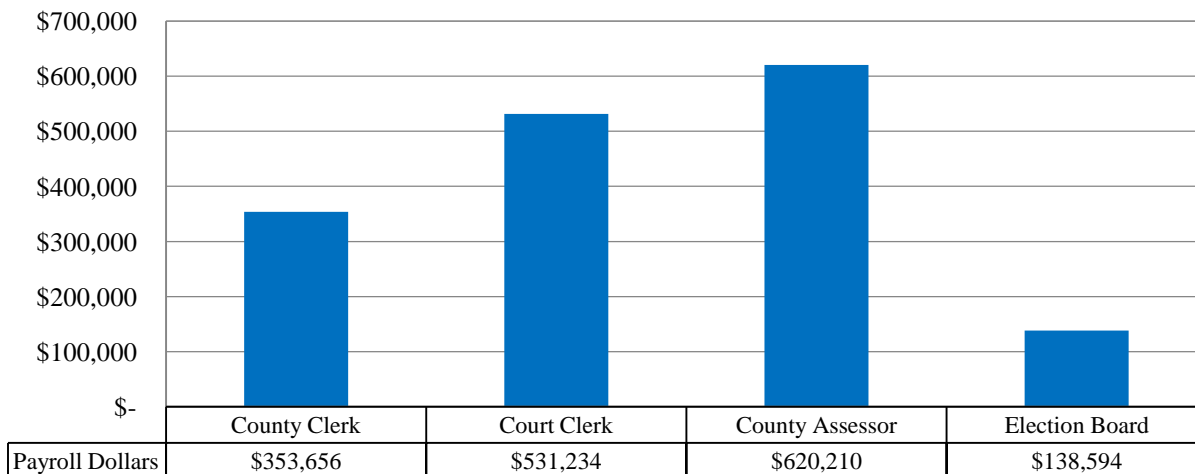
**PITTSBURG COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



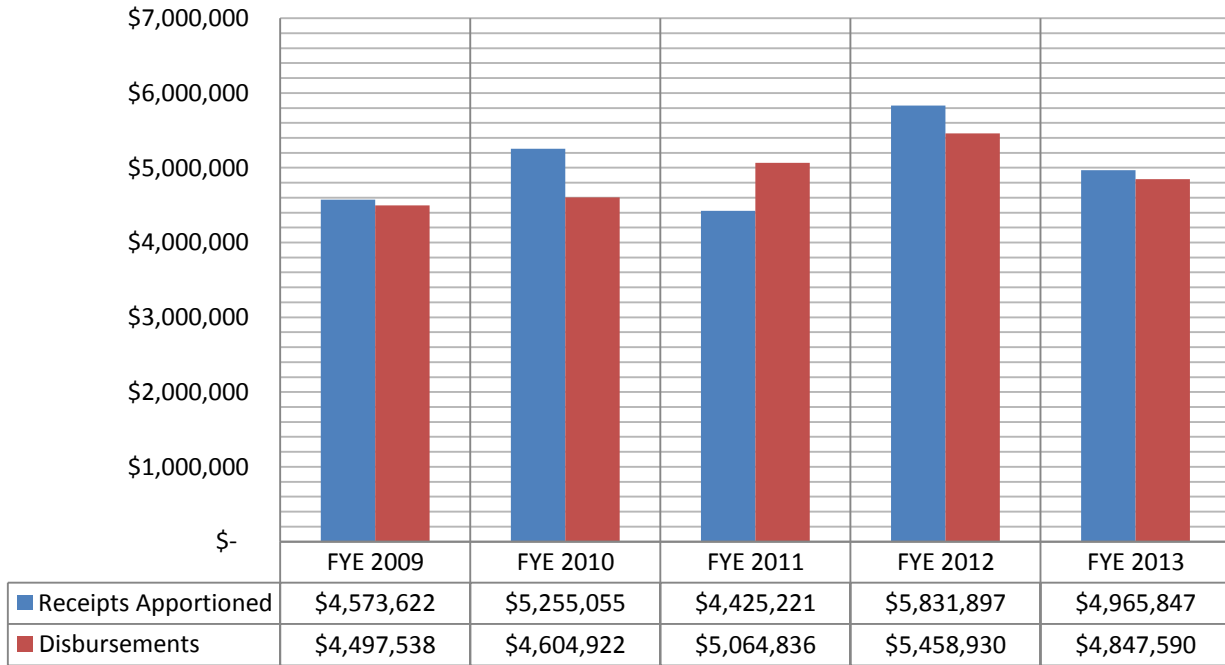
Payroll Expenditures by Department



**PITTSBURG COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

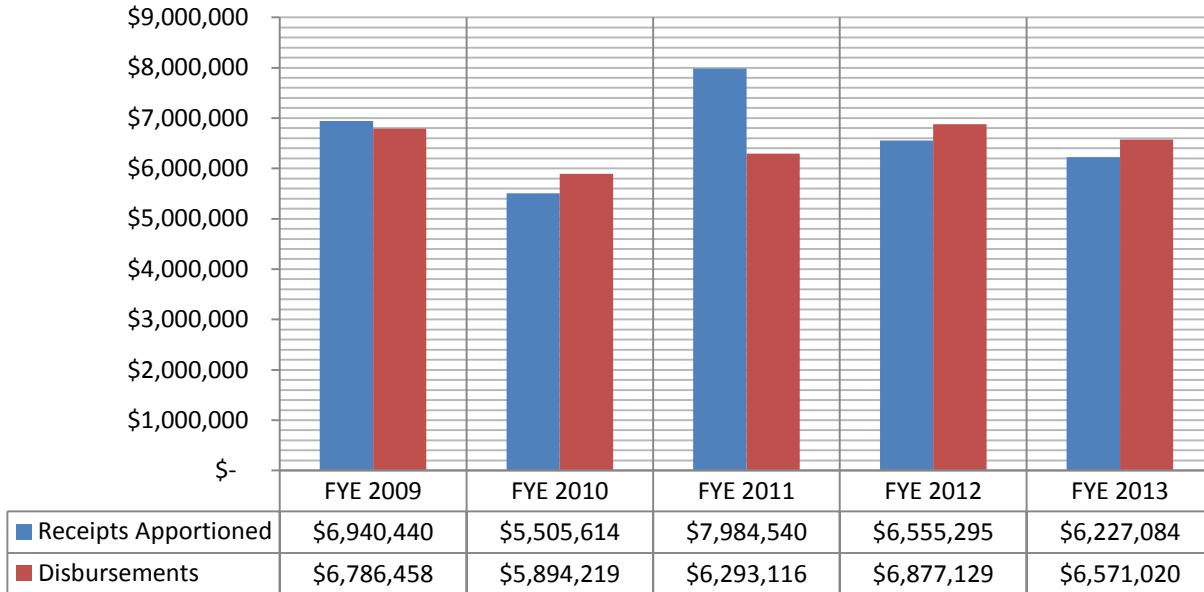
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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

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, 2013, listed in the table of contents as the financial statement.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pittsburg County as of June 30, 2013, or changes in its financial position for the year then ended.

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, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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.

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

Pittsburg County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund. Although not a part of the financial statement, such information is an integral part of the regulatory presentation for county government.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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 in considering Pittsburg County's internal control over financial reporting and compliance.

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

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

August 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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
General Fund	\$ 1,255,620	\$ 4,965,847	\$ -	\$ -	\$ 4,847,590	\$ 1,373,877
County Sinking	18,877	1	-	-	-	18,878
Highway	3,369,887	6,227,084	-	-	6,571,020	3,025,951
Federal Emergency Management	58	9,726	-	-	9,726	58
County Health Department	1,140,934	1,170,932	-	-	1,203,261	1,108,605
Resale Property	296,440	212,305	-	-	156,848	351,897
Civil Defense	230,051	123,945	57,734	-	209,988	201,742
REAP	10,995	125,245	-	-	136,240	-
Local Emergency Planning Program	14,521	-	-	-	1,194	13,327
Jail Construction and Renovation	1,479,168	1,852,097	-	-	1,059,175	2,272,090
Jail Maintenance and Operation	3,232,530	1,454,682	-	-	1,782,506	2,904,706
Courthouse Construction and Renovation	1,411,051	1,813,754	-	-	1,037,109	2,187,696
Animal Shelter Construction	150,277	192,720	-	-	110,331	232,666
Animal Shelter Maintenance and Operation	1,233,413	524,450	-	-	592,061	1,165,802
County Fire Tax	3,118,344	1,933,545	-	57,734	1,955,326	3,038,829
Local Emergency Preparedness Grant	2,585	1,000	-	-	-	3,585
Remaining Aggregate Funds	1,643,103	1,493,024	-	-	1,540,289	1,595,838
Combined Total - All County Funds	\$ 18,607,854	\$ 22,100,357	\$ 57,734	\$ 57,734	\$ 21,212,664	\$ 19,495,547

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, 2013**

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 - Revenues are from ad valorem taxes, officers' fees, interest earnings and miscellaneous collections of the County. Disbursements are for the general operations of the government.

County Sinking - accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. Debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

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, 2013**

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.

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.

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

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.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 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.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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-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.

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

E. Interfund Transfers

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

- \$ 57,734 was transferred from the County Fire Tax fund to the Civil Defense fund. Pagers were purchased by the County from the Civil Defense fund on behalf of the County Fire Departments. The County Fire Departments later reimbursed the Civil Defense fund.

OTHER SUPPLEMENTARY INFORMATION

**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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,140,934	\$ 1,140,934	\$ -
Less: Prior Year Encumbrances	(77,098)	(72,725)	4,373
Beginning Cash Balances, Budgetary Basis	1,063,836	1,068,209	4,373
Receipts:			
Ad Valorem Taxes	837,426	837,426	-
Miscellaneous Revenues	243,875	333,506	89,631
Total Receipts, Budgetary Basis	1,081,301	1,170,932	89,631
Expenditures:			
Health and Welfare	2,145,137	1,287,506	857,631
Total Expenditures, Budgetary Basis	2,145,137	1,287,506	857,631
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	951,635	\$ 951,635
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		156,970	
Ending Cash Balance		\$ 1,108,605	

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Treasurer Mortgage Tax Certification Fee	\$ 18,307	\$ 9,604	\$ 155	\$ 27,756
County Clerk Lien Fee	73,004	53,553	41,922	84,635
Assessor Visual Inspection	34,657	2,704	2,290	35,071
DHS Attendant Care	1,793	-	-	1,793
County Clerk Records Preservation	65,845	66,705	29,013	103,537
Sheriff Service Fee	1,213,868	820,537	1,005,009	1,029,396
CEL - Corps of Engineers	3,174	11,266	10,959	3,481
Youth Services Travel	7	-	-	7
Juvenile Detention Building and Maintenance	25,446	97	-	25,543
Emergency Disaster Relief Donation Fund	32,175	123	-	32,298
E-911	25,253	336,029	330,109	31,173
Animal Shelter Donations	8,382	3,714	1,647	10,449
Sheriff Training	1,266	405	-	1,671
Sheriff Commissary	139,320	188,150	119,185	208,285
Litter Reward Revolving Fund	606	137	-	743
Combined Total - Remaining Aggregate Funds	\$ 1,643,103	\$ 1,493,024	\$ 1,540,289	\$ 1,595,838

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for 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.

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

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

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

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

**PITTSBURG COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

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

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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Pittsburg County's 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 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, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-3, 2013-6, and 2013-10.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-4, 2013-12, and 2013-18.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-10.

We noted certain matters regarding statutory compliance that we reported to the management of Pittsburg County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Pittsburg County's Responses to Findings

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

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.



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

August 19, 2014

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-1 – 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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-3 – 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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-4 – 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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-6 – 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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-10 – 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 fourteen days during the audit period between the amounts of \$309,105.06 and \$2,382,160.92.

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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-12 – Inadequate Internal Controls and Noncompliance Over Bids

Condition: While reviewing disbursements from the County Fire Tax fund, we noted four purchase orders all issued the same day, January 7, 2013, to the same vendor. The items included on the purchase orders were for one vehicle, which included a bed and skid unit, additional suspension, emergency lighting package, flywheel, and battery. The total for the four purchase orders was \$12,811.73 which exceeded the bid amount. There was no evidence that bids or quotes were taken. The fire department obtained four different purchase orders separately to ensure the cost on one individual purchase order did not exceed \$10,000.

- P.O. #6010 for \$ 9,860.00 for bed and skid unit:
 - Steel fire bed, remove & replace right door, remove and replace left door, remove and replace right fender, remove and replace left fender, remove and replace hood, remove and replace cab corners, remove and replace grille, remove and replace review mirrors, remove and replace seats, install radio box, spray body with bed liner safety yellow, remove and replace fire skid unit, install 2 side storage boxes, labor on installation emergency light package, remove and replace wheels and tires, and remove and replace emergency radios.
- P.O. #6011 for \$1,570.58 for emergency light package:
 - 49” ultra slim LED light bar color red/blue, linear generation 3.5 LED surface mount, 3 watt LED work light with screw swivel mount, 100w speaker with remote controlled siren and megaphone set, and shipping.
- P.O. #6012 for \$801.25 for suspension items:
 - Front Leaf Springs Assembly, 4 shocks, and rear leveling kit.
- P.O. #6013 for \$579.90 for flywheel:
 - Flywheel, remove and replace starter, remove and replace flywheel, and interstate battery.

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: This condition resulted noncompliance with state statutes, laws, regulations or legislative intent, and could result in inaccurate records, incomplete information, or a misappropriation of assets.

Recommendation: OSAI recommends that the county adhere to state purchasing guidelines.

Management Response:

County Clerk: I have advised all Fire Chiefs that all work performed on the same vehicle, including equipment purchased for the vehicle, will have to comply with the state purchase procedures as to bidding.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: Title 19 § 1501 A. states in part, "...The county purchasing agent:

1. Shall, within the amount of the unencumbered balance, make all purchases that are paid from county funds for the various institutions, departments, officers, and employees of the county, except at public auctions and as otherwise provided for by law;
2. May make purchases for political subdivisions of this state within the county if authorized by appropriate action of the governing board or body of the political subdivision affected;
3. Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:
 - a. when the purchase does not exceed Ten Thousand Dollars (\$10,000.00). All purchases made pursuant to this subparagraph shall be by a single purchase order. Splitting purchase orders which would result in paying an amount in excess of the limitations specified in this subparagraph is expressly prohibited. Any person convicted of violating the provisions of this subparagraph shall be guilty of a misdemeanor and such person shall forfeit the person's position or office..."

Finding 2013-18 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs

Condition: While reviewing the financial statement numbers presented on the 2013-2014 Estimate of Needs and Financial Statement of the fiscal year 2012-2013, we noted that the information related to the General Fund cash disbursements was presented with inaccurate information. Information presented in related schedules reflected the numbers from prior year's cash disbursements.

Cause of Condition: Procedures have not been designed to ensure the County's Estimate of Needs is accurate.

Effect of Condition: These conditions resulted in an inaccurate Estimate of Needs being approved by the Excise Board.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that financial information is accurately presented.

Management Response:

Chairman of the Board of County Commissioners: Pittsburg County will make every effort to ensure that our Estimate of Needs is accurate in the future before it is brought before the Excise Board for approval.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent.

Additionally, 68 O.S. § 3002 states in part, "...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...”

SECTION 2—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 2013-15 – 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 Inmate Trust Fund account balance is not reconciled to the total of the inmates’ balances.
- The ledgers for the Inmate Trust Fund Checking Account were not reconciled to the bank statement at June 30, 2013. A variance of \$2,813.91 was noted, and fees totaling \$153.25 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 five hundred and forty two disbursements/checks tested:

- Five were issued to bondsman.
- Four were issued to the Pittsburg County Sheriff’s Office for fines/cash bond.
- One was issued to the City of Krebs.

**PITTSBURG COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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, 2013 to current; all variances will be fixed accordingly.
- The Sheriff's office administration will meet with a bank representative to request reimbursement for all fees charged to the account in FYE June 30, 2013. 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 Sheriffs Commissary Profit Fund. The account will be changed to an appropriate government-type account to prevent future charges of fees.

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- 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 commissary company if receipts can be formatted to clearly mark them for the purpose of the Inmate Trust Fund.
- 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 2013-16 – 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

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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.

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 2013-17 – 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

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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 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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