



PONTOTOC COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**PONTOTOC COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

October 28, 2024

TO THE CITIZENS OF
PONTOTOC COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pontotoc County, Oklahoma for the fiscal year ended June 30, 2021. 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.

This report is 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.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**PONTOTOC COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – Gary Starns
District 2 – Danny Davis
District 3 – Justin Roberts

County Assessor

Debbie Byrd

County Clerk

Tammy Brown

County Sheriff

John Christian

County Treasurer

Paula Hall

Court Clerk

Karen Dunnigan

District Attorney

Paul Smith

**PONTOTOC COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis	4
Notes to the Financial Statement.....	5

SUPPLEMENTARY INFORMATION

Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund.....	14
Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund.....	15
Note to Supplementary Information.....	16
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	21

**PONTOTOC COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

INTERNAL CONTROL AND COMPLIANCE SECTION - CONTINUED

Schedule of Findings and Questioned Costs.....	24
Appendix A: Corrective Action Plan (Prepared by County Management).....	33
Appendix B: Summary Schedule of Prior Audit Findings (Prepared by County Management)	35

FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pontotoc County as of June 30, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Pontotoc County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the remaining supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024, on our consideration of Pontotoc County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

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

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 24, 2024

REGULATORY BASIS FINANCIAL STATEMENT

PONTOTOC COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 1,514,512	\$ 4,662,898	\$ -	\$ -	\$ 3,723,235	\$ 2,454,175
County Highway Unrestricted	1,180,705	3,307,853	393,439	-	3,083,570	1,798,427
County Bridge and Road Improvement	1,221,072	653,109	-	-	553,486	1,320,695
911 Phone Fees	49	-	-	-	-	49
Assessor Revolving Fee	66,846	2,313	-	-	17,850	51,309
County Clerk Lien Fee	29,223	20,081	-	-	5,480	43,824
County Clerk Records Management and Preservation Fund	152,871	87,840	3,321	-	79,494	164,538
Emergency Management	31,731	25,000	4,871	-	16,537	45,065
Flood Plain	7,687	500	-	-	75	8,112
Free Fair Board	46,338	143,407	-	-	48,738	141,007
Health	1,695,701	1,019,248	-	-	758,916	1,956,033
Local Emergency Planning Committee	11,806	1,000	-	-	-	12,806
Resale Property	595,323	348,961	19,877	-	219,936	744,225
Reward Fund	1,469	97	-	-	-	1,566
Sheriff Commissary	44,261	109,315	-	-	112,091	41,485
Sheriff Community Sentencing Program	1,762	-	-	-	-	1,762
Sheriff Forfeiture	3,802	-	-	-	-	3,802
Sheriff Service Fee	495,316	720,864	68,929	-	448,032	837,077
Sheriff Training	6,640	-	-	-	-	6,640
Treasurer Mortgage Certification	16,532	9,610	-	-	4,932	21,210
County Donations	12,353	8,800	-	-	7,254	13,899
Use Tax-ST	1,215,582	779,452	-	-	203,058	1,791,976
Lodging Tax-ST	728,403	301,258	-	-	412,756	616,905
Ambulance Service District-ST	383,485	508,614	-	-	300,000	592,099
Road and Bridges-ST	1,016,884	1,377,880	123	-	1,497,828	897,059
Jail-ST-Old	306,462	686,510	284,470	-	582,660	694,782
Rural Fire-ST	2,107,798	977,129	29,345	-	778,079	2,336,193
E-911 Sales Tax	111,246	431,466	-	-	369,500	173,212
Jail-ST-New	257,975	770,489	216,483	-	751,161	493,786
County Sinking Fund	420	22,136	-	-	20,709	1,847
American Rescue Plan Act 2021	-	3,718,109	-	-	-	3,718,109
COVID Aid and Relief	-	615,176	-	611,437	3,739	-
Community Development Block Grants Revolving Fund	-	249,999	-	-	249,999	-
Total - All County Funds	\$ 13,264,254	\$ 21,559,114	\$ 1,020,858	\$ 611,437	\$ 14,249,115	\$ 20,983,674

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

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pontotoc 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 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 within the financial statement:

County General – accounts for revenue derived mostly from ad valorem tax as directed by the Oklahoma Constitution and state statutes. Other revenue includes fees, in-lieu taxes, and other miscellaneous collections. Disbursements are for general operations of the County.

County Highway Unrestricted – accounts for revenue from motor fuel and motor vehicle taxes and is designated for those activities associated with building and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for collections from fuel and gas taxes collected by Oklahoma Tax Commission and disbursements are for the purpose of constructing and maintaining county bridges and roads.

911 Phone Fees – accounts for fees collected by phone service providers in accordance with state statute to support 911 emergency operations.

Assessor Revolving Fee – accounts for the collection of fees for copies as restricted by state statute.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Clerk Lien Fee – accounts for revenue generated from filing and copy fees. Proceeds to be expended as restricted by state statute.

County Clerk Records Management and Preservation Fund – accounts for fees collected for instruments filed in the County Clerk's office. Expenditures are restricted to activities related to preservation of records in the County Clerk's office.

Emergency Management – accounts for revenue from state or federal grants for the purpose of providing the County emergency management services.

Flood Plain – accounts for fees collected from flood plain permits and map charges to offset the costs of floodplain management.

Free Fair Board – accounts for revenue from advertising, rentals, and concessions during the County free fair, livestock shows, and agricultural demonstrations held at the County fairgrounds. This revenue is used for premiums and other costs of hosting those events.

Health – accounts for ad valorem tax collections and fees for services collected, disbursements are for the operation of the County Health Department.

Local Emergency Planning Committee – accounts for legislative appropriations to assist local emergency planning committees in the development of an emergency plan in accordance with the requirements of Title III of the Federal Superfund Amendments and Reauthorization Act.

Resale Property – accounts for interest and penalties assessed on delinquent ad valorem tax payments as well as proceeds of selling real property in the County which has remained delinquent in ad valorem tax payments for three years. The fund is utilized by the County Treasurer for offsetting the costs associated with the collection of delinquent ad valorem taxes.

Reward Fund – accounts for revenue provided by fines assessed upon persons convicted of illegal dumping of trash, debris, waste, or other substances that may cause fire on public or private property. The Board of County Commissioners may use this fund to offer and pay a reward to individuals offering information that leads to an arrest and conviction. The fund may also be used for special enforcement programs related to investigating and/or preventing littering and illegal dumping.

Sheriff Commissary – accounts for profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

Sheriff Community Sentencing Program – accounts for a program for providing an alternative to incarceration for nonviolent felony offenders. Revenue provided by contracts with the Department of Corrections. Proceeds are restricted to lawful operation of the program.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Sheriff Forfeiture – accounts for proceeds from the sale of property seized by law enforcement as ordered by the court. The fund is used for law enforcement purposes and/or drug prevention and eradication.

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees, courthouse security, contracts for housing and feeding prisoners, and disbursements as restricted by state statute.

Sheriff Training – accounts for property in the possession of the Sheriff's office that remains unclaimed for a period of six months or more may be sold upon application to the district court. Proceeds are used for purchase of equipment, materials, or supplies that may be used in crime prevention, education, training, or programming.

Treasurer Mortgage Certification – accounts for fees collected by the County Treasurer for evaluating mortgages or other liens upon real property filed with the county for the purpose of collateralizing debt. The fund is used for lawful operation of the County Treasurer's office.

County Donations – accounts for donations to the county from private donors to be disbursed for a specified purpose and approved Board of County Commissioners' resolution.

Use Tax-ST – accounts for the collection of county sales tax, use tax revenue and excise tax levied on the storage, use or other consumption of tangible personal property used, stored, or consumed within the County. The purpose of the use tax is designated by the Board of County Commissioners.

Lodging Tax-ST – accounts for tax upon public lodging approved by the voters of the County and designated for a particular purpose as stated on the ballot.

Ambulance Service District-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Road and Bridges-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Jail-ST-Old – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Rural Fire-ST – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

E-911 Sales Tax – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

Jail-ST-New – accounts for tax assessed upon retail sales within the County as authorized by vote of the citizens of the County. Sales tax funds are restricted for the purpose described on the ballot approved by voters.

County Sinking Fund – accounts for the debt service collections derived generally from a special ad valorem tax levy and interest earned on investments.

American Rescue Plan Act 2021 – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures. Disbursements are for any lawful purpose of the County as directed by Board of County Commissioners' resolution.

Community Development Block Grants Revolving Fund – accounts for federal grants received from the Oklahoma Department of Commerce to be disbursed as restricted the grant agreement.

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 allows 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, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

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."

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, the County expects such amounts, if any, to be immaterial.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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. Long Term Obligations

1. Judgments

The County has a judgment which is being retired by a tax levy. The County is obligated to pay the judgment over a three-year period.

<u>Case Number</u>	<u>Original Judgment</u>
CJ-2016-34	\$52,643

A payment in the amount of \$20,709 was made during the fiscal year ended June 30, 2021. Of this payment amount \$17,548 was for principal and \$3,161 was for interest.

Future principal and interest payments that will become due on the existing judgment are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$17,548</u>	<u>\$1,271</u>	<u>\$18,819</u>
Total	<u>\$17,548</u>	<u>\$1,271</u>	<u>\$18,819</u>

E. Sales Tax

Sales Tax of April 1, 2007

The voters of Pontotoc County approved an eleven-sixteenth (11/16th) of one cent sales tax effective April 1, 2007, the proceeds of which to be deposited to a sales tax depository account with the Pontotoc County Treasurer, pledged toward the retirement of indebtedness incurred therefore; payment of operation and maintenance expenses related thereto and to be designated and used specifically as follows: Acquisition of real property, constructing, equipping, operating and maintaining a new Pontotoc County Detention Facility and Courthouse Improvements. A portion of the sales tax, nine-sixteenth (9/16th) of one cent, shall have a limited duration of twenty years from the date of commencement or until the principal and interest upon indebtedness is paid in full. The remaining portion of the sales tax, one-eighth (1/8th) of one cent, shall continue for operation and maintenance expenses of the County Detention Facility until repealed by a majority of electors of Pontotoc County. In October 2017, the indebtedness was paid in full and therefore a portion of the sales tax, (9/16th) of one cent, was discontinued. These funds are accounted for in the Jail-ST-Old fund.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Sales Tax of April 1, 2013

The voters of Pontotoc County approved a permanent three-sixteenth (3/16th) of one cent sales tax effective April 1, 2013. The proceeds of which are to be appropriated by the Board of County Commissioners for the purpose of providing funding for Call-A-Ride public transit, Pontotoc County owned nutrition centers, Pontotoc County Emergency Management, and the Fire Departments in the following communities: Allen, Byng, Fittstown, Fitzhugh, Francis, Happyland, Homer, Lula, Oil Center, Pickett, Roff, Stonewall, Union Valley, Vanoss, or others hereinafter established, so long as they are certified and in good standing with the State of Oklahoma and Pontotoc County. The funding is for the purchase of equipment and supplies, general operation and maintenance, communications, training, construction of new buildings or improvements made to existing buildings, emergency services, and fire protection. The distribution of the three-sixteenth (3/16th) of one cent sales tax is as follows: Ninety-two percent (92%) of the three-sixteenths (3/16th) total revenue generated by the sales tax shall be divided equally between Call-A-Ride public transit, Pontotoc County owned nutrition centers, and the above-named Fire Departments, three percent (3%) shall be distributed to Pontotoc County Emergency Management, with five percent (5%) of said total revenue to be dispersed into the Pontotoc County General Fund for administrative fees. These funds are accounted for in the Rural Fire-ST fund and the County General fund.

Sales Tax of April 1, 2018

The voters of Pontotoc County approved a permanent nine-sixteenth (9/16th) of one cent sales tax effective April 1, 2018, for the funding of the following county public safety services: 44.5% for transportation services in Pontotoc County including the design, construction, financing, improvements, and maintenance and operation expenses for county roadways and bridges located in Pontotoc County; 16.5% for the Pontotoc County ambulance service including the acquisition, maintenance and operation expenses of emergency vehicles and the equipping, maintaining and housing of the same; 14% for the maintenance and operation expenses of 911 emergency services located in Pontotoc County; and 25% for the maintenance and operation expenses of the Pontotoc County Jail. These funds are accounted for in the Roads and Bridges-ST, Ambulance Service District-ST, E-911 Sales Tax, and Jail-ST-New funds.

F. Interfund Transfers

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

- \$19,781 was transferred from the Excess Resale, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S §3131(D).
- \$390,000 was transferred from the Emergency and Transportation Revolving (ETR) Fund, a trust and agency fund, to the County Highway Unrestricted fund as a loan used for road and bridge projects in the county.

PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

- \$611,437 was transferred from the COVID Aid and Relied Fund to the following Funds:

Fund	Amount
County Highway Unrestricted	\$3,439
County Clerk Records Management and Preservation Fund	\$3,321
Emergency Management	\$4,871
Resale Property	\$96
Sheriff Service Fees	\$68,929
Road and Bridges-ST	\$123
Jail-ST-Old	\$284,470
Rural Fire-ST	\$29,345
Jail-ST-New	\$216,483
Court Clerk Revolving (Trust & Agency Fund)	\$360

SUPPLEMENTARY INFORMATION

PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 5,000	\$ 4,145	\$ 855
County Sheriff	1,305,709	1,261,641	44,068
County Treasurer	241,555	238,270	3,285
County Commissioners	354,956	272,434	82,522
OSU Extension	183,500	163,942	19,558
County Clerk	348,595	338,442	10,153
Court Clerk	208,322	204,832	3,490
County Assessor	268,100	255,706	12,394
Visual Inspection	254,581	247,144	7,437
General Government	1,429,897	698,871	731,026
Excise-Equalization Board	11,500	9,689	1,811
County Election Board	174,741	157,671	17,070
Emergency Mangement	85,455	62,085	23,370
County Audit Budget	60,616	60,616	-
Free Fair Budget	12,000	10,939	1,061
Treasurer - ST	58,609	27,276	31,333
County Clerk - ST	29,876	18,286	11,590
Total Expenditures, Budgetary Basis	<u>\$ 5,033,012</u>	<u>\$ 4,031,989</u>	<u>\$ 1,001,023</u>

PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,538,395	\$ 843,760	\$ 1,694,635
Total Expenditures, Budgetary Basis	\$ 2,538,395	\$ 843,760	\$ 1,694,635

**PONTOTOC COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
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	17771 CDBG 19	\$ 105,280
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	17526 CDBG 19	249,999
Total U.S. Department of Housing and Urban Development			<u>355,279</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through the Oklahoma Office of Management and Enterprise Services:			
COVID-19 Coronavirus Relief Fund	21.019	SA-0136	1,331,176
Total U.S. Department of Treasury			<u>1,331,176</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG	16,537
Total U.S. Department of Homeland Security			<u>16,537</u>
Total Expenditures of Federal Awards			<u>\$ 1,702,992</u>

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Basis of Presentation

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

Indirect Cost Rate

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 27, 2020, the President of the United States signed the COVID-19 Relief Bill into law. Pontotoc County received \$1,331,176 in federal relief funds. The County incurred \$693,700 in eligible expenditures in the prior fiscal year ending June 30, 2020. These eligible expenditures were from March 16, 2020, through June 30, 2020, and were accounted for in the County's June 30, 2020, financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing (ALN) 21.019 – Coronavirus Relief Fund includes \$693,700 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures totaling \$637,476 that were incurred in the fiscal year ending June 30, 2021.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Pontotoc County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 24, 2024.

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 as of and for the year ended June 30, 2021, 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 Pontotoc County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Pontotoc County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pontotoc County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 24, 2024



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

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Pontotoc County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Pontotoc County's major federal program for the year ended June 30, 2021. Pontotoc County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Assistance Listing 21.019 – Coronavirus Relief Fund

As described in Finding 2021-003 in the accompanying schedule of findings and questioned costs, Pontotoc County did not comply with requirements regarding the following:

Finding #	Assistance Listing	Program (or Cluster) Name	Compliance Requirement
2021-003	21.019	Coronavirus Relief Fund	Activities Allowed and Unallowed; Allowable Costs/Cost Principles

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

Qualified Opinion on Assistance Listing 21.019 – Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Pontotoc County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistance Listing Number (ALN) 21.019 – Coronavirus Relief Fund for the year ended June 30, 2021.

Other Matters

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain

deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

Pontotoc County's Response to Findings

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 24, 2024

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statement noted? No

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

Assistance Listing Number(s)

21.019

Name of Federal Program or Cluster

Coronavirus Relief Fund

Dollar threshold used to distinguish between

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

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

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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*

No matters were reported.

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

Finding 2021-001 – Lack of County-Wide Internal Controls Over Major Federal Program – Coronavirus Relief Fund

PASS THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U. S. Department of the Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0136

FEDERAL AWARD YEAR: 2020

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

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

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

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design and implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

Chairman of the Board of County Commissioners: Per the auditor's recommendation, the County will design and implement a system of internal controls to ensure compliance with future grant requirements.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2021-002 – Lack of Internal Controls Over Major Federal Program – Coronavirus Relief Fund

PASS THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U. S. Department of the Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0136

FEDERAL AWARD YEAR: 2020

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

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

Recommendation: OSAI recommends the County gain an understanding of requirements for this program and implement a system of internal control procedures to ensure compliance with grant requirements.

Management Response:

Chairman of the Board of County Commissioners: Per the auditor's recommendation, the County will design and implement a system of internal controls to ensure compliance with future grant requirements.

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

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

Finding 2021-003 – Noncompliance Over Major Federal Programs – Coronavirus Relief Fund – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

PASS THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0136

FEDERAL AWARD YEAR: 2020

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

QUESTIONED COSTS: \$204,028

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Condition: A test of 100% of expenditures reflected program disbursements totaling \$204,028 were not expended in accordance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements due to ineligible costs.

- The County was reimbursed \$200,196 for payroll and \$3,832 for supplies which were determined to be unallowable costs to mitigate or prevent the spread of COVID-19 as required by the grant agreement.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with federal grant requirements.

Effect of Condition: This condition resulted in noncompliance with federal grant requirements. This could hinder the County from receiving future federal funding and could result in the repayment of grant funds to the grantor agency.

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

Management Response:

Chairman of the Board of County Commissioners: Per the auditor's recommendation, the County will design and implement a system of internal controls to ensure compliance with future grant requirements.

Criteria: 2 CFR § 200.403 - *Factors affecting allowability costs* states in part,

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(g) Be adequately documented.

Title 42 United States Code § 801 – Coronavirus relief fund Section 601(d) requires the States, Tribal governments, or units of local government use the funds received to cover only those costs that (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of March 27, 2020, for the State or government; and (3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021-004 – Lack of Segregation of Duties Over Court Fund (Repeat Finding)

Condition: Upon inquiry and observation, we noted the following weaknesses regarding internal controls related to the Court Clerk’s receipting and disbursement process over the Court Fund:

Receipting Process:

- One employee has the ability to issue receipts, balance cash drawers, reconcile reports, prepare deposits, and take deposits to the County Treasurer.
- All employees have the ability to void receipts with no independent review/approval.

Disbursement Process:

- One employee prepares claims, issues vouchers, signs vouchers, has custody of vouchers, and prepares vouchers for mailing.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and disbursement processes within the office of the Court Clerk.

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, undetected errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

Management Response:

Court Clerk: These findings occurred during the prior Court Clerk’s administration. My office has corrected or is in the process of correcting these deficiencies. This office plans to segregate certain duties to utilize two employees to balance and sign all deposit reports. Next, anytime a voucher is issued another employee must verify the voucher amount and initial such review in addition to required signatures. The reviewing employee will also verify that all vouchers written from the Court Fund/Revolving Fund match the corresponding claim form. Lastly, when employees are balancing each day, a separate employee will review and approve the initial balancing report. I will maintain a log for each employee.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Segregation of duties

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

Finding 2021-005 - Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding the Inmate Trust Fund Checking Account and Sheriff Commissary fund, the following weaknesses were noted:

Inmate Trust Fund Checking Account:

- Deposits to the Inmate Trust Fund Checking Account are not made daily.
- Bank reconciliations are not reviewed and approved by someone other than the preparer.

Sheriff Commissary Fund:

- An annual report for the Sheriff Commissary fund was not prepared and filed with the Board of County Commissioners by January 15th of each year.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Recommendation: OSAI recommends the following:

Inmate Trust Fund Checking Account:

- All funds received should be deposited to the Inmate Trust Fund Checking Account daily in accordance with state statute.
- Bank reconciliations should be reviewed and approved by someone other than the preparer and evidence with a signature.

Sheriff Commissary Fund:

- The County Sheriff should file a report for the Sheriff Commissary fund with the Board of County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 D and ensure amounts reported are reconciled to the County Treasurer's records.

Management Response:

County Sheriff:

- Staff have been instructed repeatedly by the Sheriff that all deposits are required to be made daily. Staff received instruction on depositing monies daily and advised of the reasons and importance of depositing monies daily. Staff indicated they understood and would make deposits in a timely manner daily.
- Staff handling bank reconciliations have received instructions from the Sheriff to always have someone other than the preparer to review and upon review to approve, if acceptable, and indicate the approval by date/time and signature of the approval. Staff stated they understood the instructions and would have someone other than the person conducting the reconciliation to review and if the reconciliation is approved, will have the reconciliation approval indicated by signing with the date and time of signature indicated.
- The Pontotoc County Sheriff's office has omitted to submit a Sheriff Commissary fund report to the Board of County Commissioners for this reporting period. The preparing and submitting of this report were overlooked and was not prepared or submitted by the Sheriff. The Sheriff Commissary fund report will be prepared and submitted as required by January 15th of each year in accordance with 19 O.S. § 180.43 D and ensure amounts reported reconcile to the County Treasurer's records.

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions,

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Title 19 O.S. § 180.43 D. states in part, “The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 19 O.S. § 531 A. states in part, “the county sheriff may establish a checking account, to be designated the ‘Inmate Trust Fund Checking Account’,” and, “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.”

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Board of County Commissioners

PONTOTOC COUNTY

P.O. Box 1425 • Ada, OK 74821-1425 • (580) 332-8977 • Fax: (580) 332-9509

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2021

Finding No.	Title (Financial) or Assistance Listing No. (formerly CFDA No.) & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	Assistance Listing Number 21.019 Lack of County-Wide Internal Controls Over Major Federal Program – Coronavirus Relief Fund	Per the auditor's recommendation, the County will design and implement a system of internal controls to ensure compliance with future grant requirements.	12-1-24	Victor Bolen, Chairman of the BOCC
2021-002	Assistance Listing Number 21.019 Lack of Internal Controls Over Major Federal Program – Coronavirus Relief Fund	Per the auditor's recommendation, the County will design and implement a system of internal controls to ensure compliance with future grant requirements.	12-1-24	Victor Bolen, Chairman of the BOCC
2021-003	Assistance Listing Number 21.019 Noncompliance Over Major Federal Programs – Coronavirus Relief Fund – Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Per the auditor's recommendation, the County will design and implement a system of internal controls to ensure compliance with future grant requirements.	12-1-24	Victor Bolen, Chairman of the BOCC

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Board of County Commissioners

PONTOTOC COUNTY

P.O. Box 1425 • Ada, OK 74821-1425 • (580) 332-8977 • Fax: (580) 332-9509

Summary Schedule of Prior Audit Findings in accordance with 2 CFR § 200.511b for the fiscal year ended June 30, 2021

FINANCIAL AUDIT FINDINGS

Finding 2008-009, 2009-009, 2010-009, 2011-009, 2012-001

Inadequate Segregation of Duties Over the Purchasing Process

Finding Summary: Upon inquiry and observation of the County's purchasing process, the following weaknesses were noted:

- Not all purchasing duties are adequately segregated; the same employee prepares purchase orders, encumbers purchase orders, reviews purchase orders for accuracy, prints warrants, and distributes warrants.
- The signatures of the County Clerk and the Board of County Commissioners (BOCC) Chairman that appear on all warrants are facsimile signatures printed by the software system. Neither the County Clerk nor the BOCC Chairman reviews or initials the warrants after they are printed. In addition the employee who prints the warrants also has custody of the blank check stack.

Status: Fully Corrected.

Finding 2008-010, 2009-010, 2010-010, 2011, 010, 2012-002

Inadequate Segregation of Duties Over the Payroll Process

Finding Summary: Although the County Clerk's 2nd Deputy and the Payroll Clerk are cross-trained in the payroll process, the duties of enrolling new hires, making payroll changes, running verification reports, printing payroll checks, distributing payroll checks, and maintaining personnel files are not formally segregated.

Status: Fully Corrected.

FEDERAL AUDIT FINDINGS

Finding 2011-018, 2012-004

Inadequate County-Wide Controls Over Major Federal Programs – CDBG

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing

Assistance Listing No: 14.228

Federal Program Name: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Federal Grant Award Number: 13542 CDBG 08; 14320 CDBG 10; 14582 CDBG 10

Federal Award Year: 2012

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting

Questioned Costs: \$-0-

Finding Summary: County-wide controls regarding Control Environment, Risk Management, Information and Communication, and Monitoring have not been designed.

Status: No further action warranted. Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Audit Clearinghouse. The federal agency or pass-through entity is not currently following up with the County regarding this finding and a management decision has not been issued.

Finding 2011-021, 2012-005

Inadequate Internal Controls Over Major Federal Programs – CDBG

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: U.S. Department of Housing

Assistance Listing No: 14.228

Federal Program Name: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Federal Grant Award Number: 13542 CDBG 08; 14320 CDBG 10; 14582 CDBG 10

Federal Award Year: 2012

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting

Questioned Costs: \$-0-

Finding Summary: During the process of documenting the county's internal controls regarding federal disbursements, we noted that Pontotoc County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

Status: No further action warranted. Management does not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Audit Clearinghouse. The federal agency or pass-through entity is not currently following up with the County regarding this finding and a management decision has not been issued.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov