

COUNTY AUDIT

PONTOTOC COUNTY

For the fiscal year ended June 30, 2007



*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

**PONTOTOC COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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Oklahoma State Auditor & Inspector

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March 14, 2011

TO THE CITIZENS OF
PONTOTOC COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pontotoc County, Oklahoma for the fiscal year ended June 30, 2007. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "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

**PONTOTOC COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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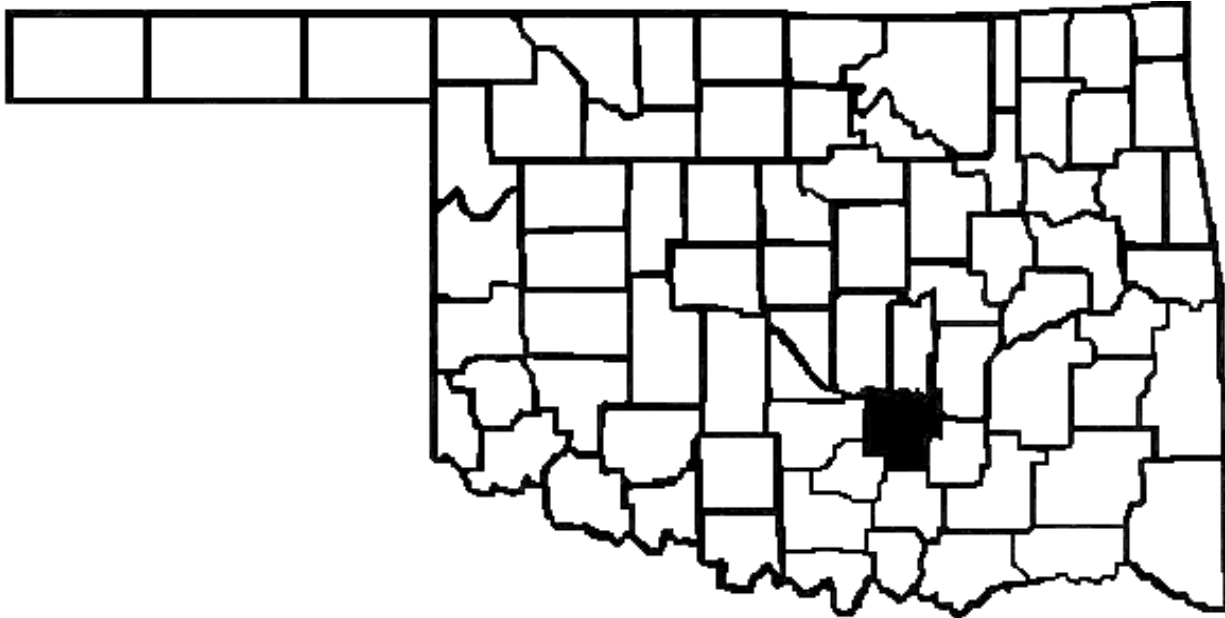
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**PONTOTOC COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**REPORT TO THE CITIZENS
OF
PONTOTOC COUNTY, OKLAHOMA**



Created at statehood, this south central county, Pontotoc, has a Chickasaw name meaning “cat tails growing on the prairie.” The county was named after the original home of the Chickasaw Indians in Mississippi. Ada, the county seat, is the home of the Chickasaw Nation, one of the ten largest Native American tribes in the country.

The county has a rich blend of agriculture and industry. Quarter horses and cattle attract buyers from across the United States, and the area’s natural resources of limestone, shale, silica sand, and clay have attracted manufacturers of glass, cement, and brick. Many diverse businesses, including Pre-Paid Legal Services, Inc. are located in the county. Underground springs from the Arbuckle-Simpson Aquifer furnish an abundant pure water supply, and the county is also the hub of some of Oklahoma’s richest oil and gas production.

Other points of interest include the log cabin in which the late Senator Robert S. Kerr was born, and the Kerr Environmental Research Laboratory, an EPA facility specializing in groundwater research. East Central University, a four-year institution of higher education, is located in Ada.

History of Pontotoc County gives a written account of the area’s history. For additional information, call the county clerk’s office at (580) 332-1425.

County Seat – Ada

Area – 725.45 Square Miles

County Population – 35,346
(2005 est.)

Farms – 1,368

Land in Farms – 368,306 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor’s report.

**PONTOTOC COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<p>COUNTY ASSESSOR Michael Reynolds (through January 2007) Shari Todd (January 2007 to present)</p>
--

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

<p>COUNTY CLERK Pam Walker</p>

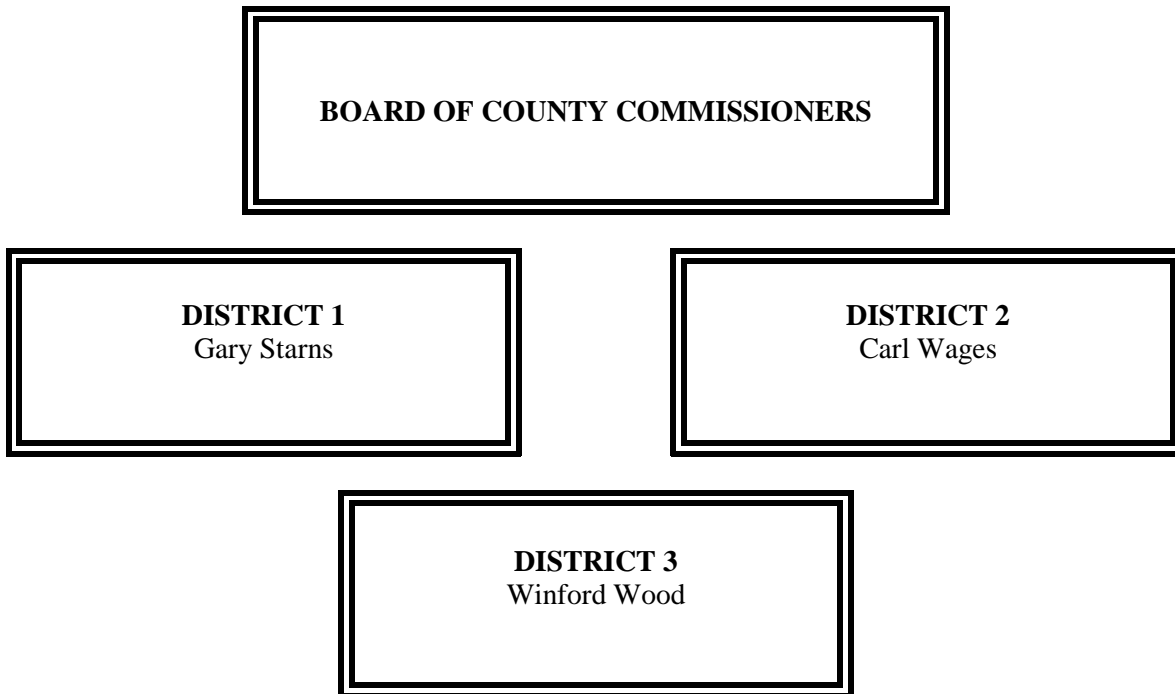
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**PONTOTOC COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**PONTOTOC COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COUNTY SHERIFF
Pete Peterson

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Glenda Gonderman

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**PONTOTOC COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

COURT CLERK
Ernestine Eubank

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY
William Peterson

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**PONTOTOC COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

ELECTION BOARD SECRETARY
Marilyn McDaniel

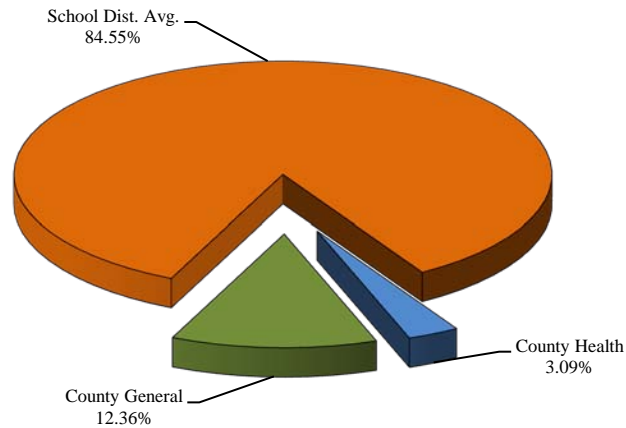
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**PONTOTOC COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.24								
County Health	2.56								
		Allen	I-1	35.99	5.14	12.27	12.24	4.10	69.74
		Vanoss	I-9	37.15	5.31	19.19	12.24	4.10	77.99
		Byng	I-16	35.61	5.09	7.17	12.24	4.10	64.21
		Ada	I-19	35.40	5.06	9.11	12.24	4.10	65.91
		Latta	I-24	36.04	5.15	8.95	12.24	4.10	66.48
		Stonewall	I-30	36.85	5.26	10.83	12.24	4.10	69.28
		Roff	I-37	36.93	5.27	9.60	12.24	4.10	68.14
		Pickett-Center	D-20	36.82	5.27	8.39	12.24	4.10	66.82
		Asher	J-112	36.83	5.26	30.52	15.63	4.10	92.34
		Stratford	J-2	37.36	5.34	4.83	11.61	4.10	63.24
		Tupelo	J-2A	36.67	5.24	8.19	12.24	4.10	66.44

See independent auditor's report.

**PONTOTOC COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Total net assessed value as of January 1, 2006		<u>\$ 153,988,753</u>
Debt limit - 5% of total assessed value		7,699,438
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u><u>\$ 7,699,438</u></u>

See independent auditor's report.

**PONTOTOC COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

	2007
Estimated population	35,346
Net assessed value as of January 1, 2006	\$ 153,988,753
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**PONTOTOC COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

<u>Valuation Date</u>	<u>Personal</u>	<u>Public Service</u>	<u>Real Estate</u>	<u>Homestead Exemption</u>	<u>Net Value</u>	<u>Estimated Fair Market Value</u>
1/1/2006	\$24,730,261	\$37,255,996	\$101,561,093	\$9,558,597	\$153,988,753	\$1,215,473,884

See independent auditor's report.

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
PONTOTOC COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2007, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Pontotoc County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to releasing the previously issued report dated November 17, 2008, the auditor was made aware of additional information. This information, had it been known at the time of our previously issued report, would not have affected the financial statements or our opinion. However, this information did result in additional significant deficiencies as described in our re-issued report on our consideration of Pontotoc County's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pontotoc County as of June 30, 2007, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Pontotoc County for the year ended June 30, 2007, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, 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 basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. Pontotoc 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 basic 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 audited by us, and accordingly, we express no opinion on it.



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

December 6, 2010

Basic Financial Statement

**PONTOTOC COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Beginning Cash Balances July 1, 2006	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2007
Combining Information:				
County General Fund	\$ 918,814	\$ 2,409,321	\$ 2,438,115	\$ 890,020
T-Highway	1,463,660	3,556,125	3,232,231	1,787,554
Resale Property	122,775	87,419	61,766	148,428
County Health	380,213	392,645	347,167	425,691
Visual Inspection	12,309			12,309
County Clerk Lien Fee	18,166	8,312	8,586	17,892
Sheriff Fees	57,531	253,136	236,331	74,336
Civil Defense	17,220	16,806	21,656	12,370
Mortgage Tax Certificate	15,945	10,800	10,239	16,506
Senior Citizens Transportation	198,874	850,102	728,673	320,303
Agri-Plex CS Fund	35,516	102,090	111,121	26,485
Stop Violence	6,544	26,611	25,539	7,616
Prevent Child Abuse	15			15
Transportation Health Care	7			7
County Assessor Revolving	36,652	10,229	4,600	42,281
Z-CST Community Sentencing Travel	1,839		39	1,800
Z-Preservation	213,344	46,768	20,006	240,106
Z-911	26	6,784	4,627	2,183
Proceeds of Sale	23,259	1,180		24,439
Z-REAP-VFW Grant	61,054	50,196	93,548	17,702
Z-Community Development Block Grant		53,000	53,000	
Z-HOME Grant	103,482	19,568	110,251	12,799
Z-Sheriff Commissary	4,368	19,604	14,871	9,101
Z-Floodplain Fee		560		560
Z-Homeland Security Grant		35,499	34,699	800
Z-Lodging Tax		101,550	34,964	66,586
Z-Dare		1,969	1,451	518
Z-Sales Tax		247,594		247,594
Z-Mortgage Tax Collections		68	68	
Combined Total -- All County Funds	\$ 3,691,613	\$ 8,307,936	\$ 7,593,548	\$ 4,406,001

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, 2007**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Pontotoc County, Oklahoma. The financial statement referred to includes only the primary government of Pontotoc County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

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 funds included as supplementary information within the financial statement:

County General Fund - accounts for the general operations of the government.

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

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

County Health - accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Sheriff Fees – accounts for the collection and disbursement of sheriff process service fees as restricted by statute.

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

Mortgage Tax Certificate – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by state statutes.

Senior Citizens Transportation – accounts for the collection of monies from fees and grants for the general operations of the office.

Agri-Plex CS Fund – accounts for the collection of fees and donations for the general operation of the Agri-Plex.

Stop Violence – accounts for grant monies received and disbursed as restricted by grant agreement.

Prevent Child Abuse – accounts for monies received from jurors to aid in the prevention of child abuse.

Transportation Health Care – accounts for the general operation of the Transportation Health Care program. This account was inactive in fiscal year 2007.

County Assessor Revolving – accounts for the collection and disbursement of copy fees as restricted by state statute.

Z-CST Community Sentencing Travel – accounts for monies received and disbursed for Community Sentencing Planning Council travel claims.

Z-Preservation – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

Z-911 – accounts for the receipt of 911 fees for the purpose of maintaining the 911 service.

Proceeds of Sale – accounts for the collection of interest from the sale of county property to be used for maintenance of the courthouse.

Z-REAP-VFW Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Z-Community Development Block Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

Z-HOME Grant – accounts for grant monies received and disbursed as restricted by grant agreement.

Z-Sheriff Commissary – accounts for the collection of fees transferred from the inmate trust account for commissary items and disbursement of funds as restricted by state statute.

Z-Floodplain Fee – accounts for fees collected for notice of intent for development and flood zone permits and disbursed for floodplain travel and maintenance and operation.

Z-Homeland Security Grant – accounts for grant monies received and disbursed as restricted by the agreement with the grant agency.

Z-Lodging Tax – accounts for a hotel/motel tax collected by lodging entities and forwarded to the OTC who disburses the funds to the County.

Z-Dare – accounts for donations collected by the Sheriff’s Department for expenses of the office.

Z-Sales Tax – accounts for collections and disbursements for the principal and interest related to indebtedness incurred on behalf of Pontotoc County by the Pontotoc County Public Facilities Authority in furtherance of the County Detention Facility and Courthouse Improvements.

Z-Mortgage Tax Collections – accounts for the refund of mortgage tax paid in error.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts. 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.

C. Basis of Accounting

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 required to be 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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

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).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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.

G. Compensated Absences

All full-time employees shall be entitled to vacation leave that is accrued on a monthly basis. Employees with 1 to 5 years of service earn 80 hours per year, employees with 6 to 20 years of service earn 120 hours per year, and employees with 20 plus years of service earn 144 hours per year. No vacation leave shall be accumulated beyond the accumulation limit. Upon separation, employees are not entitled to payment of accumulated annual leave.

Sick leave is accrued on a monthly basis. Sick leave shall accumulate at the rate of 4 hours for each calendar month of service and may be accrued up to a maximum of 130 days. Sick leave is not paid upon termination.

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."

The assessed property value as of January 1, 2006, was approximately \$153,988,753.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.24 mills for general fund operations and 2.56 mills for county health department. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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.

Current year tax collections for the year ended June 30, 2007, were approximately 95.76 percent of the tax levy.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

3. Fuel Tax

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.

4. Risk Management

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers' Liability • Vehicle 	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool’s limits.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 		
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed assets, the members would have surcharges assessed to pay the excess claims.

ACCO-SIG – The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$10,000 deductible for each insured event as stated in the County’s “Certificate of Participation.” The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool’s risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

OPEH&WP – The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

6. 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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 7.5% and 12.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 12.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2007, 2006, and 2005, were \$344,053, \$310,927, and \$266,095, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

7. 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.

8. 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.

OTHER SUPPLEMENTARY INFORMATION

**PONTOTOC 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, 2007**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 380,213	\$ 380,213	\$ 380,213	\$ -
Less: Prior Year Outstanding Warrants	(27,303)	(27,303)	(27,303)	
Less: Prior Year Encumbrances	(35,638)	(35,638)	(32,759)	2,879
Beginning Cash Balances, Budgetary Basis	<u>317,272</u>	<u>317,272</u>	<u>320,151</u>	<u>2,879</u>
Receipts:				
Ad Valorem Taxes	358,373	358,373	375,195	16,822
Charges for Services		9,101	9,885	784
Intergovernmental			1,569	1,569
Miscellaneous Revenues			5,996	5,996
Total Receipts, Budgetary Basis	<u>358,373</u>	<u>367,474</u>	<u>392,645</u>	<u>25,171</u>
Expenditures:				
Health and Welfare	665,878	674,979	391,243	283,736
Capital Outlay	9,767	9,767	9,467	300
Total Expenditures, Budgetary Basis	<u>675,645</u>	<u>684,746</u>	<u>400,710</u>	<u>284,036</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	312,086	<u>\$ 312,086</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			4,288	
Add: Current Year Outstanding Warrants			<u>109,317</u>	
Ending Cash Balance			<u>\$ 425,691</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**PONTOTOC COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented because the legally adopted budget cannot be compared with actual data for the General Fund.

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the County Health Department 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 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.

See independent auditor's report.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's Program	14.228	12020 CDBG 05	\$ 53,000
Passed Through State Housing Finance Agency:			
Home Investment Partnerships Program	14.239	1056 HOME 05	110,251
Total U.S. Department of Housing and Urban Development			<u>163,251</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through District Attorneys Council:			
Violence Against Women Formula Grants	16.588	V-05-026	11,250
Violence Against Women Formula Grants	16.588	V-05-027	15,361
Total U.S. Department of Justice			<u>26,611</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State Department of Civil Emergency Management:			
Emergency Management Performance Grants (EMPG)	97.042		8,750
Disaster Grants/Public Assistance	97.036	FEMA-1623-DR-OK	7,591
Disaster Grants/Public Assistance	97.036	FEMA-1712-DR-OK	63,880
Disaster Grants/Public Assistance	97.036	FEMA-1678-DR-OK	232,928
Total 97.036			<u>304,399</u>
Passed Through State Office of Homeland Security:			
Law Enforcement Terrorism Prevention Program	97.074	OK-LETP #35.53	34,700
Total U.S. Department of Homeland Security			<u>347,849</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through State Highway Safety Office:			
State and Community Highway Safety	20.600		3,620
Total U.S. Department of Transportation			<u>3,620</u>
Total Expenditures of Federal Awards			<u>\$ 541,331</u>

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**PONTOTOC COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and the Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity is the primary government of Pontotoc County as presented in the basic financial statement.

B. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the primary government of Pontotoc County and is presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2007, which comprises Pontotoc County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated December 6, 2010. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. Further, Pontotoc County has not presented budgetary comparison information for the general fund that should have been included as supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2007-1, 2007-7, 2007-8, and 2007-9, as described in the accompanying schedule of findings and questioned costs, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-9 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters 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.

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

This report is intended solely for the information and use of the management of the County and should not be used 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

December 6, 2010



Oklahoma State Auditor & Inspector

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

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

TO THE OFFICERS OF
PONTOTOC COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Pontotoc County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Pontotoc County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Pontotoc County's management. Our responsibility is to express an opinion on Pontotoc County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Pontotoc County's compliance with those requirements.

This report replaces the previously issued report dated November 17, 2008. This report has been re-issued due to subsequently discovered information that required the auditor to perform additional procedures to obtain sufficient appropriate audit evidence for the major program being reported on. There were no changes to the previously reported Schedule of Federal Expenditures. However, a material weakness, as identified below, was noted as a result of the additional procedures performed.

In our opinion, Pontotoc County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Pontotoc County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pontotoc County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-6 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

This report is intended solely for the information and use of the management of Pontotoc County, federal awarding agencies, and pass-through entities, and should not be used 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

December 6, 2010

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses?..... Yes

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? None reported

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

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

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants-Public Assistance

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

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

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 2007-1—Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: Based on inquiries of County personnel and testwork performed, it was noted that receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization within all County offices were not properly segregated to assure adequate internal control structure.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends management be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. Management does have knowledge of office operations and will perform a periodic review of these operations.

Finding 2007-7 – IT Security-County Clerk and County Treasurer

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Condition: After interviewing the County Treasurer and the County Clerk it was noted that there doesn't appear to be adequate controls in place to safeguard data from unauthorized modification, loss or disclosure. The computers in the offices of the County Treasurer and the County Clerk do not automatically log off after periods of inactivity and employees do not log off or lock their systems when they are away from their desk. All County Treasurer employees have access to the same functions on the tax and bookkeeping applications. All County Clerk employees have access to the same functions on the

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

payroll and purchasing applications. Passwords used in the County Clerk's office are not required to be a certain length, character, or case sensitive.

Effect: Security for the computer, computer programs, and data could be compromised.

Recommendation: OSAI recommends the County work with their IT personnel or in conjunction with software vendors to put controls in place that will log off or lock computers after periods of inactivity or when the user is away from their computer. OSAI recommends controls be implemented that would limit employees access to programs that are not used in their job duties. OSAI recommends that the County Clerk require the use of complex passwords using multi-case letters, numbers, and special characters with a minimum length of eight.

Views of responsible officials and planned corrective actions:

Glenda Gonderman, County Treasurer – The bookkeeping system we have locks the user out after a period of time if the user has not exited the system. As for the tax roll system, I will speak to OSU about coming up with the option of being locked out after a certain period of time has elapsed and the user is no longer working in the system.

Pam Walker, County Clerk – The Pontotoc County Clerk's office has contacted our IT providers to implement the following: Computers will log off automatically after inactivity, be required to log in to access data, restrict employees' access to their particular job requirements, and add secure passwords.

Finding 2007-8 – Disaster Recovery Plan-County Clerk and County Treasurer

Criteria: CobiT 4.1 DS4.1 states:

Develop a framework for IT continuity to support enterprise wide business continuity management using a consistent process. The objective of the framework should be to assist in determining the required resilience of the infrastructure and to drive the development of disaster recovery and IT contingency plans. The framework should address the organizational structure for continuity management, covering the roles, tasks, and responsibilities of internal and external service providers, their management and their customers, and the planning processes that create the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery.

In addition, CobiT 4.1 DS4.2 states:

Develop IT continuity plans based on the framework and designed to reduce the impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Condition: The County Treasurer and the County Clerk do not have a Disaster Recovery Plan in place that addresses how critical information and systems would be restored in the event of a disaster. In addition, back-ups for the County Treasurer are stored in the server room during the week and placed in the County Sheriff's vault over the weekend.

Effect: The failure to have a current Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a procedure addressing how critical information and or systems would be restored could cause significant problems in ensuring that County business could continue uninterrupted.

Recommendation: OSAI recommends the County develop a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster. The County Treasurer should also store their back-ups in a safe, secure location, away from the courthouse, where information could be easily retrieved in the event of a disaster.

Views of responsible officials and planned corrective actions:

Glenda Gonderman, County Treasurer – I have spoken with the County Clerk about this finding and we are going to meet with the County Commissioners after we move back to our permanent location in the courthouse to discuss what action we need to take to correct this finding.

Pam Walker, County Clerk – The Pontotoc County Clerk's office plans to purchase off-site back up document recording and all other electronic data in conjunction with the Treasurer's office and the County Commissioner's office. Since the Treasurer's office and the County Commissioner's office are in temporary offices, this process will not take place until after completion of the renovation of the courthouse and annex #1. When renovation is complete on both locations, and offices are housed in their permanent lodgings, purchase and implementation of off-site data backup will begin. Also, the County Clerk's office has an agreement with the local abstract office for reconstruction of county documents in case of a disaster or any loss of documents.

Finding 2007-9 – County-Wide Controls

Criteria: The County's management is responsible for designing a county-wide internal control system to achieve its objectives of effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

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

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

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Recommendation: OSAI recommends that the County implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

Views of responsible officials and planned corrective actions:

Glenda Gonderman, County Treasurer – The County Treasurer is aware that this could be a potential problem. However, we make every effort to segregate duties and have securities in place as much as allowed with the limited staff we have.

Pam Walker, County Clerk – Pontotoc County will implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

County Commissioners – The Pontotoc County Board of County Commissioners will be implementing a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives.

SECTION 3 - Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Finding 2007-6—Internal Controls Over Federal Program

PASS-THROUGH GRANTOR: Oklahoma Department of Civil Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Public Assistance Grants

FEDERAL AWARD YEAR: 2006, 2007

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

QUESTIONED COSTS: \$-0-

Criteria: Circular A-133 § __.300 (b) states that the auditee shall:

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

Condition: During interviews with management, it was noted that the County has not designed and implemented formal internal controls for all of the compliance requirements of its major program, Disaster Grants - Public Assistance, as required by OMB Circular A-133. The County is lacking adequate documentation to help ensure that all activities are allowable and in compliance with grant requirements.

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Effect: Lack of internal controls over Federal major program expenditures could lead to erroneous reporting and/or material misstatement of the County's Schedule of Expenditures of Federal Awards, and increases the potential for material noncompliance.

Recommendation: OSAI recommends the County gain an understanding of the requirements for this program and implement internal controls to ensure compliance with the requirements.

Views of responsible officials and planned corrective actions: The Pontotoc County Commissioners will be implementing a system of internal controls to ensure compliance with grant requirements.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. 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 2007-2—Estimate of Needs

Criteria: Title 68 O.S. § 3002(a) states:

Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal 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 statement 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. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

Condition: Supplemental appropriations were not presented for the General Fund. In addition, the following special revenue funds were omitted; Z-HOME, Z-COMM2, Z-Flood, Z-Hland, Z-Lodge, Z-DARE, Z-Sales Tax, Z-CDBG, and Z-MTColl.

Effect: This condition resulted in incomplete reporting and resulted in some accounts reflecting expenditures in excess of appropriations.

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Recommendation: OSAI recommends that the County review the Estimate of Needs prior to approval to ensure that all funds are present and accurate.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. We have since hired a new budget maker and will review the Estimate of Needs prior to approval.

Finding 2007-3—Sheriff's Deposits

Criteria: Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection.

Title 19 O.S. § 682 states in part:

It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office...

Condition: While performing cash compositions for the Sheriff's Official Depository Accounts and the Inmate Trust Account, the following was noted:

1. The Sheriff does not deposit daily. (Cash Bond Account, Sheriff Self Defense, Foreign Fee, Inmate Trust)
2. Receipts are not always issued for monies received.
3. Cash bond book in sheet does not indicate mode of payment, arresting officer, arresting date, release date, or bond type. (cash bond or bail bond)
4. Receipts are not issued in sequential order.
5. Cash bond receipts #1552 and #1558 were left blank and not voided.
6. One cash bond received by the Sheriff shows money vouchered (#1219 dated 1-8-07) before it was deposited (ticket #3137 on 1-16-07).
7. Cash bond receipt #1537 was not dated.
8. Sheriff Self Defense Receipt #522 and #560 do not indicate mode of payment.
9. Sheriff Foreign Fee receipt #956 was receipted after money was deposited.
10. Sheriff Foreign Fee money on 3-29-07 was deposited from Oklahoma State Regent for \$100.00 but could not be traced to a receipt.
11. Inmate Trust receipt #1416 does not indicate mode of payment.

Effect: This condition could result in the possible loss of monies, inaccurate records, or incomplete information.

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Recommendation: OSAI recommends that duplicate, pre-numbered receipts be issued for all monies received in the Sheriff's office. Receipts should be issued only once, in sequential order, and should indicate mode of payment received. Also, collections should be deposited daily with the County Treasurer.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. The Sheriff's office is implementing procedures for the safeguard and timely deposit of all collections received in the Sheriff's office.

Finding 2007-4—Inmate Trust – Bank Reconciliations

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failures to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Condition: The County Sheriff does not reconcile the Inmate Trust bank statements at the end of every month. The bank statements should be reconciled to the inmate trust ledger, which the Sheriff does not maintain.

Effect: This condition could result in the County having a possible loss of monies, inaccurate records, or incomplete information.

Recommendation: OSAI recommends the County Sheriff maintain an inmate trust ledger and reconcile the Inmate Trust bank statements on a monthly basis.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. The Sheriff's office is implementing procedures to properly reconcile the Inmate Trust Account bank statement to the inmate ledger.

Finding 2007-5—Fixed Assets Inventory (Repeat Finding)

Criteria: Statutory requirements have been established for inventory control in county government.

Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and therefore maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming

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into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter....

Condition: All county offices do not perform a biennial verification of the fixed assets inventory. In addition, while verifying Districts 2 and 3 inventory, we were unable to locate the following four (4) items:

District	County ID	Description	Serial Number	Cost
2	320-000	9-Tire Roller (Junk)	None	\$1,000.00
2	330-005	Brushcutter Tanaka	G227118	\$435.00
3	324-005	Randair Air Compressor	63920	\$3,925.00
3	420-000	Master Water Pump	5302	N/A

Effect: This condition could result in unrecorded transactions and misappropriation of assets.

Recommendation: OSAI recommends that the Board of County Commissioners cause a biennial inventory to be taken of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented on form #3512. In addition, we recommend that the location or the disposition of the items listed above be investigated and that the inventory records be updated accordingly.

Views of responsible officials and planned corrective actions: We concur with the State Auditor's findings. All officers are currently updating inventory records and will complete form #3512.



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