

COUNTY AUDIT

# PONTOTOC COUNTY

For the fiscal year ended June 30, 2011



*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, 2011**

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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](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

September 30, 2013

TO THE CITIZENS OF  
PONTOTOC COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pontotoc County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**PONTOTOC COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**PONTOTOC COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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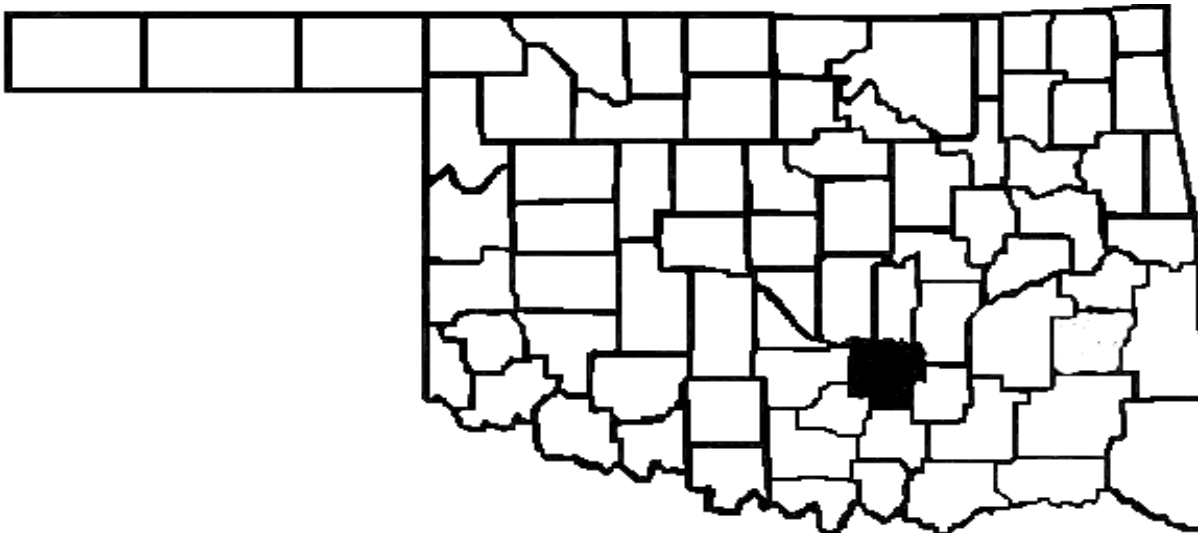
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**PONTOTOC COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 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 learning, is located in Ada.

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

County Seat – Ada

Area – 725.45 Square Miles

County Population – 37,422  
(2009 est.)

Farms – 1,424

Land in Farms – 379,236 Acres

Primary Source: Oklahoma Almanac 2011-2012

**PONTOTOC COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Board of County Commissioners**

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

**County Assessor**

Shari Todd

**County Clerk**

Pam Walker

**County Sheriff**

John Christian

**County Treasurer**

Glenda Gonderman

**Court Clerk**

Ernestine Eubank

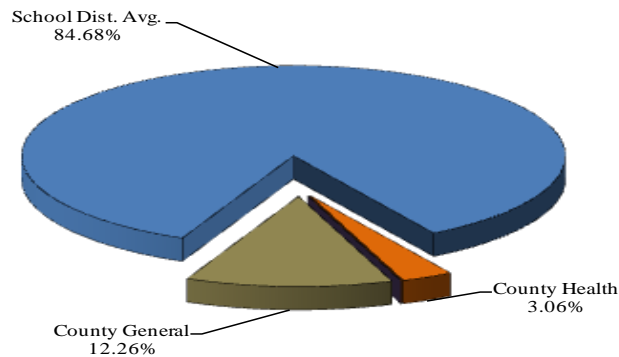
**District Attorney**

Chris Ross



**PONTOTOC COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

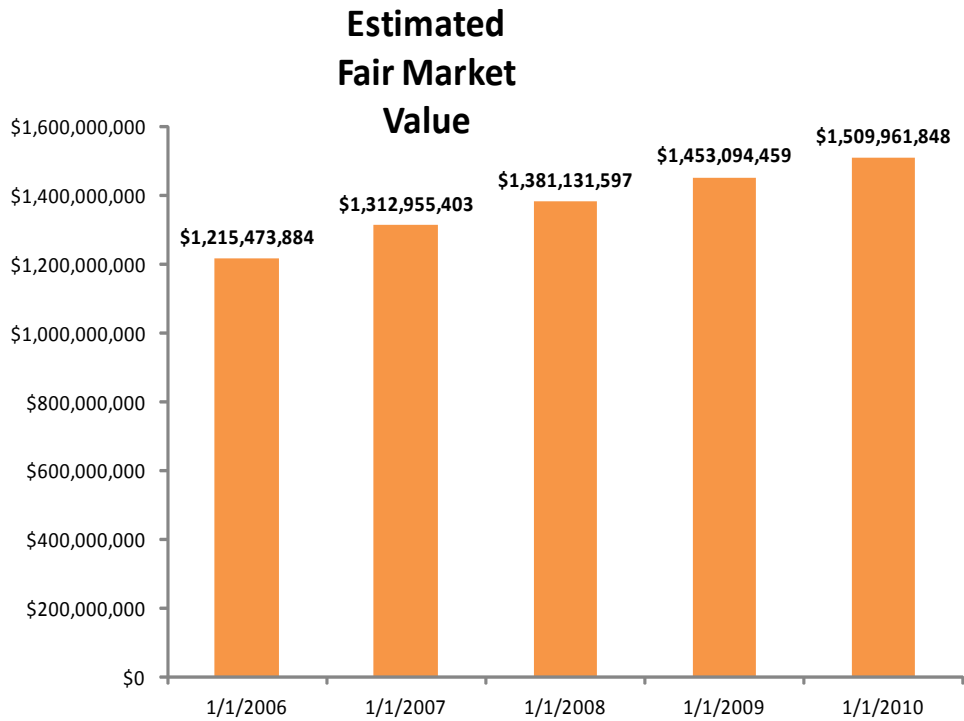
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Sk.	Career Tech	Common	Total
County General	10.24								
County Health	2.56	Allen	I-1	35.99	5.14	10.78	12.24	4.10	68.25
		Vanoss	I-9	37.15	5.31	14.10	12.24	4.10	72.90
		Byng	I-16	35.61	5.09	7.42	12.24	4.10	64.46
		Ada	I-19	35.40	5.06	11.57	12.24	4.10	68.37
Cities and Towns									
Ada	2.49	Latta	I-24	36.04	5.15	20.22	12.24	4.10	77.75
		Stonewall	I-30	36.85	5.26	2.07	12.24	4.10	60.52
		Roff	I-37	36.93	5.27	9.53	12.24	4.10	68.07
		Pickett-Center	D-20	36.82	5.27	13.47	12.24	4.10	71.90
		Asher	J-112	36.16	5.17	26.07	15.18	4.10	86.68
		Stratford	J-2	37.36	5.34	22.87	11.61	4.10	81.28
		Tupelo	J-2A	36.37	5.24	-	12.24	4.10	57.95

**PONTOTOC COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

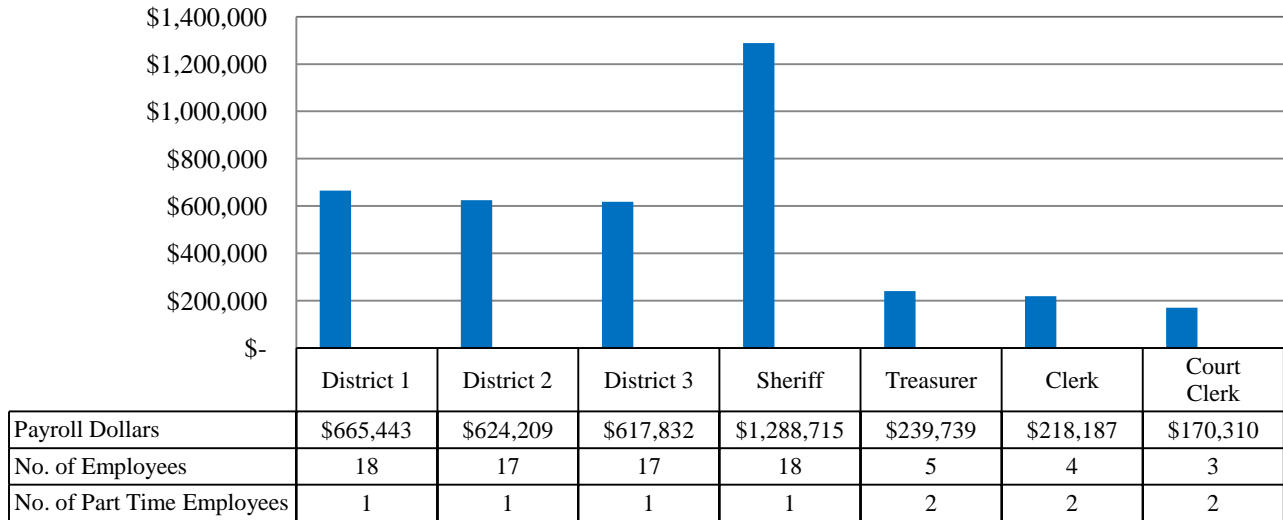
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$33,930,701	\$33,493,004	\$129,675,397	\$10,135,590	\$186,963,512	\$1,509,961,848
1/1/2009	\$31,908,270	\$36,437,029	\$123,327,645	\$9,838,790	\$181,834,154	\$1,453,094,459
1/1/2008	\$31,362,997	\$35,118,290	\$115,929,929	\$9,850,050	\$172,561,166	\$1,381,131,597
1/1/2007	\$30,733,876	\$35,212,121	\$108,328,630	\$9,743,912	\$164,530,715	\$1,312,955,403
1/1/2006	\$24,730,261	\$37,255,996	\$101,561,093	\$9,558,597	\$153,988,753	\$1,215,473,884



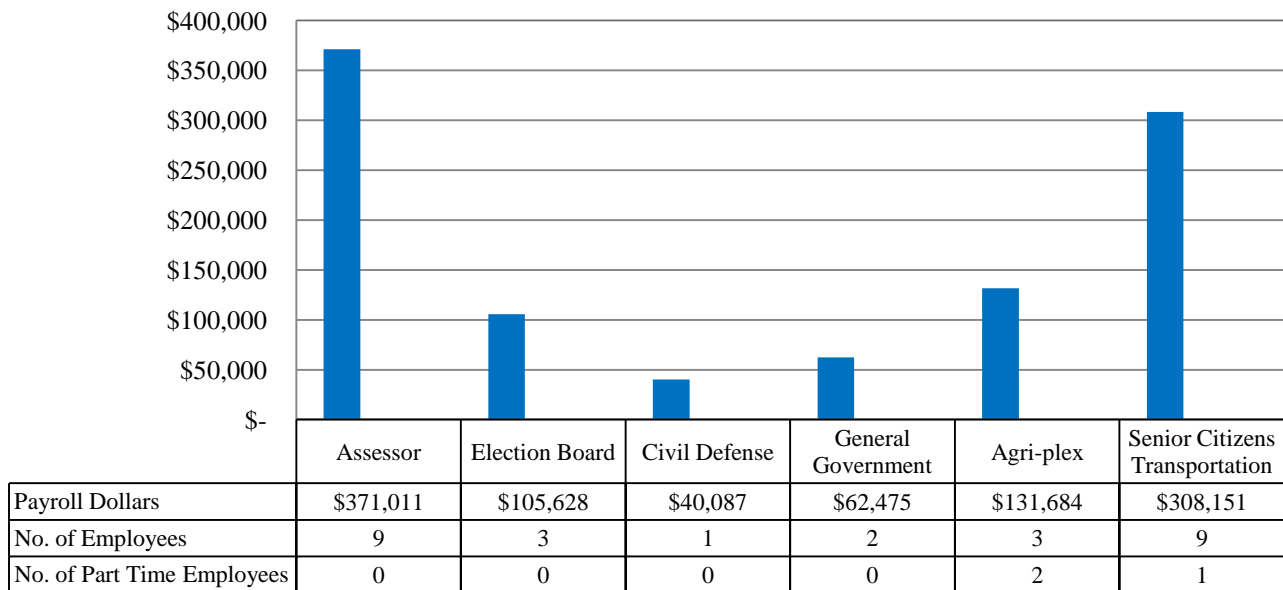
**PONTOTOC COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

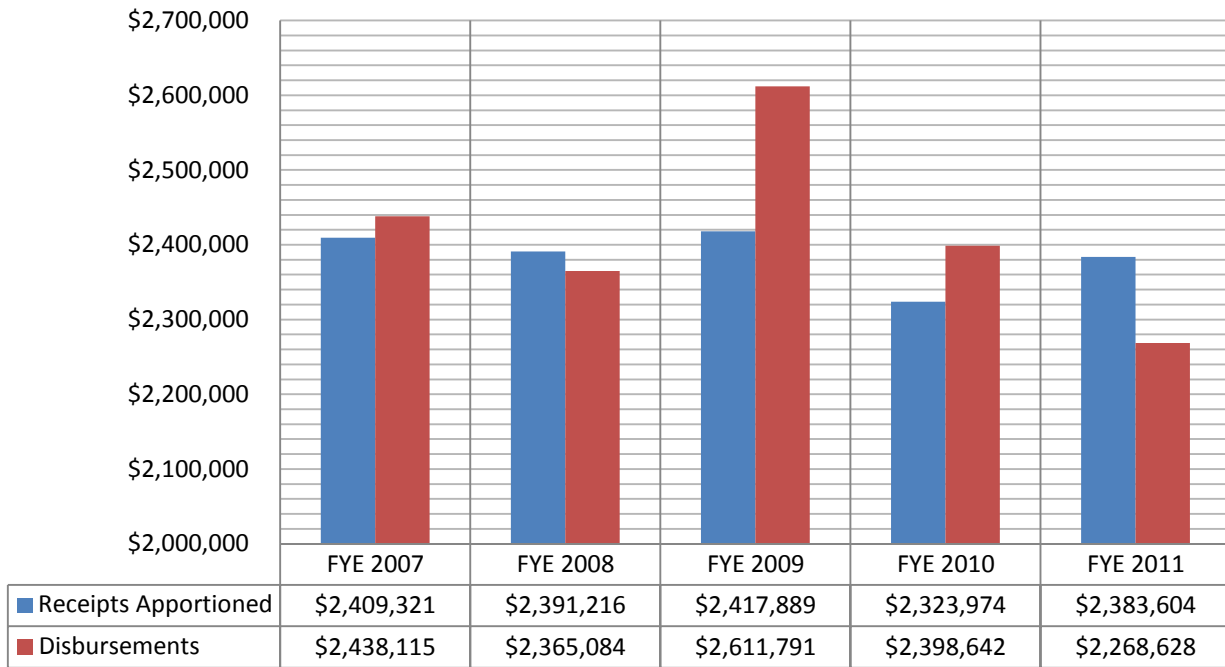


**PONTOTOC COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County General Fund

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

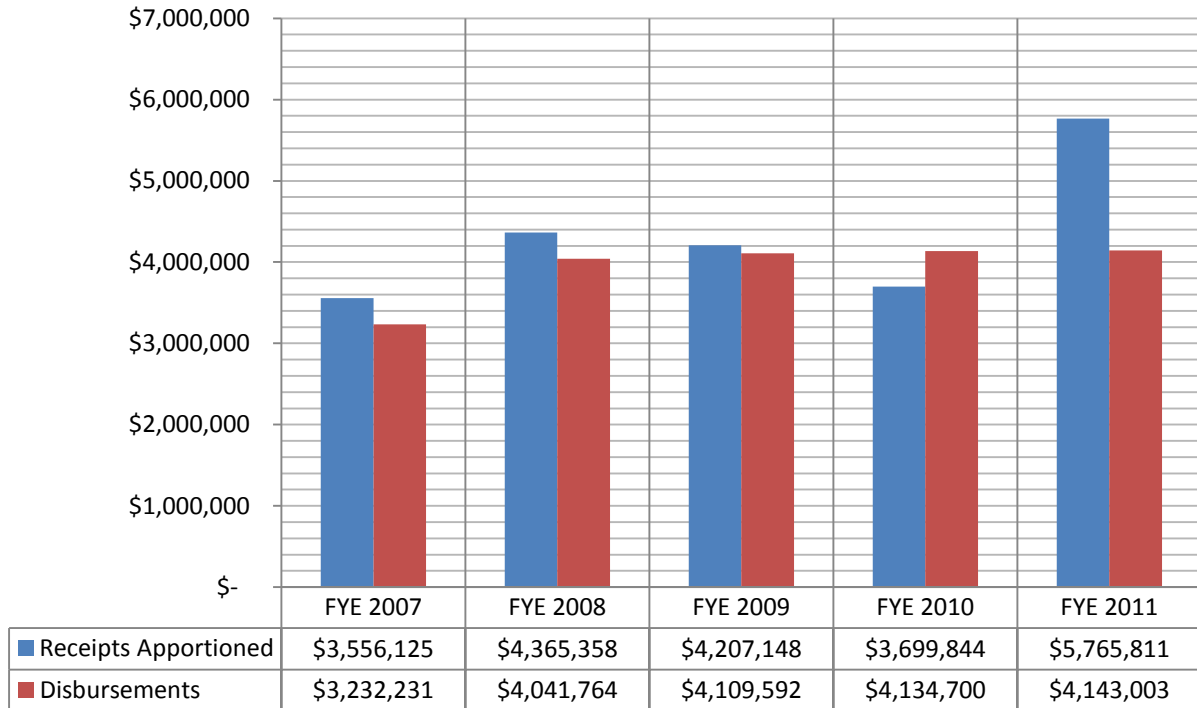


**PONTOTOC COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County Highway Fund

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



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

## Independent Auditor's Report

TO THE OFFICERS OF  
PONTOTOC COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Pontotoc County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pontotoc County as of June 30, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Pontotoc County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, 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 county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

September 23, 2013



**REGULATORY BASIS FINANCIAL STATEMENT**

**PONTOTOC COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfer Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 647,582	\$ 2,383,604	\$ 260,000	\$ 260,000	\$ 2,268,628	\$ 762,558
T-Highway	1,773,848	5,765,811	180,000	180,000	4,143,003	3,396,656
County Health	525,914	522,479	-	-	558,253	490,140
ZSALESTAX-Sales Tax Cash Account	399,396	3,043,612	-	-	3,117,077	325,931
Sheriff Fee Cash Account	234,801	591,000	-	-	366,567	459,234
Senior Citizen Transportation	114,014	485,106	-	-	471,723	127,397
Z-Preservation	170,933	39,380	80,000	80,000	95,275	115,038
Remaining Aggregate Funds	676,777	1,223,326	-	-	1,169,567	730,536
<b>Combined Total - All County Funds</b>	<u>\$ 4,543,265</u>	<u>\$ 14,054,318</u>	<u>\$ 520,000</u>	<u>\$ 520,000</u>	<u>\$ 12,190,093</u>	<u>\$ 6,407,490</u>

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, 2011**

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**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 as combining 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.

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

ZSALESTAX-Sales Tax Cash Account - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

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

**PONTOTOC COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement on a regulatory basis. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

**PONTOTOC COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually 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.

**PONTOTOC COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**D. Sales Tax**

The voters of Pontotoc County approved an 11/16<sup>th</sup> 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, 9/16<sup>th</sup> of the one cent, shall have a limited duration of twenty years from the date of commencement or until the principle and interest upon indebtedness is paid in full. The remaining portion of the sales tax, 1/8<sup>th</sup> of one cent, shall continue for operation and maintenance expenses of the Pontotoc County Detention Facility until repealed by a majority of electors of Pontotoc County. These funds are accounted for in the ZSALESTAX-Sales Tax Cash Account.

**E. Interfund Transfers**

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

The T-Highway fund made an interfund loan to the General Fund in the amount of \$180,000. As in accordance with 68 O.S. § 3021, the interfund loan was repaid by the General Fund within the current year.

**PONTOTOC COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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In addition, the Z-Preservation fund made an interfund loan to the General Fund in the amount of \$80,000. As in accordance with 68 O.S. § 3021, the interfund loan was repaid by the General Fund within the current year.

**OTHER SUPPLEMENTARY INFORMATION**



**PONTOTOC COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 647,582	\$ 647,582	\$ -
Less: Prior Year Outstanding Warrants	(175,717)	(175,717)	-
Less: Prior Year Encumbrances	(25,792)	(21,847)	3,945
Beginning Cash Balances, Budgetary Basis	<u>446,073</u>	<u>450,018</u>	<u>3,945</u>
Receipts:			
Ad Valorem Taxes	1,740,460	1,908,421	167,961
Charges for Services	137,338	128,239	(9,099)
Intergovernmental Revenues	247,062	271,452	24,390
Miscellaneous Revenues	12,000	75,492	63,492
Total Receipts, Budgetary Basis	<u>2,136,860</u>	<u>2,383,604</u>	<u>246,744</u>
Expenditures:			
District Attorney	4,000	3,284	716
County Sheriff	730,300	727,496	2,804
County Treasurer	197,400	193,755	3,645
County Commissioners-Osu Extension	87,064	86,950	114
County Clerk	214,310	214,202	108
Court Clerk	154,510	151,148	3,362
County Assessor	199,500	197,982	1,518
Revaluation of Real Property	207,660	204,676	2,984
General Government	539,350	296,968	242,382
Excise-Equalization Board	8,600	8,558	42
County Election Board	127,837	116,339	11,498
Civil Defense	45,830	45,821	9
County Audit Budget Account	54,572	1,103	53,469
Free Fair Budget	12,000	8,500	3,500
Total Expenditures, Budgetary Basis	<u>2,582,933</u>	<u>2,256,782</u>	<u>326,151</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	576,840	<u>\$ 576,840</u>
Operating Transfers In		260,000	
Operating Transfers Out		(260,000)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		159,307	
Add: Current Year Encumbrances		26,411	
Ending Cash Balance		<u>\$ 762,558</u>	

**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, 2011**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 525,914	\$ 525,914	\$ -
Less: Prior Year Outstanding Warrants	(3,823)	(3,823)	-
Less: Prior Year Encumbrances	(19,769)	(14,532)	5,237
Beginning Cash Balances, Budgetary Basis	502,322	507,559	5,237
Receipts:			
Ad Valorem Taxes	435,115	477,105	41,990
Charges for Services	146,774	43,621	(103,153)
Intergovernmental	-	1,753	1,753
Total Receipts, Budgetary Basis	581,889	522,479	(59,410)
Expenditures:			
Health and Welfare	1,084,211	573,985	510,226
Total Expenditures, Budgetary Basis	1,084,211	573,985	510,226
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	456,053	\$ 456,053
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		17,141	
Add: Current Year Outstanding Warrants		16,946	
Ending Cash Balance		\$ 490,140	

**PONTOTOC COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
Resale Property	\$ 196,808	\$ 123,126	\$ 88,202	\$ 231,732
Visual Inspection	12,309	-	-	12,309
County Clerk Lien Fee	16,310	10,482	11,623	15,169
ZMTCERT-Mortgage Tax Certificate	15,394	8,355	4,185	19,564
Agri-Plex	58,192	168,384	186,949	39,627
Prevent Child Abuse	15	-	-	15
Transportation Health Care	7	-	-	7
County Assessor Revolving	63,838	7,801	7,994	63,645
Z-CST- Community Sentencing Travel	1,762	-	-	1,762
Z-911	1,525	435	-	1,960
ZSALE-Proceeds of Sale	25,493	104	-	25,597
ZREAP	2,689	76,945	76,945	2,689
ZCOMM2-Sheriff Commissary	21,797	110,648	90,011	42,434
ZFLOOD-Floodplain Fee	338	415	51	702
ZHLAND-Homeland Security Grant	800	-	-	800
ZLODGE-County Lodging Tax	175,160	231,577	245,738	160,999
ZDARE-Sheriff DARE Account	1,844	-	-	1,844
ZCDBG-CDBG Grant	-	253,782	253,782	-
ZCHSEC-Courthouse Security	17,879	19,720	29,261	8,338
ZUSE-Use Tax	16,412	181,922	140,037	58,297
ZDEQ-Department of Environmental Quality	1,675	1,000	350	2,325
ZVAWA-Violence Against Women	4,129	-	4,129	-
ZREWARD	100	-	-	100
ZEM-Emergency Management	37,584	23,639	28,360	32,863
ZHPG-Hazmat Planning Grant	4,717	4,991	1,950	7,758
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 676,777</b>	<b>\$ 1,223,326</b>	<b>\$ 1,169,567</b>	<b>\$ 730,536</b>

**PONTOTOC COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

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

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

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

ZMTCERT-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 statute.

Agri-Plex - accounts for the collection of fees and donations for the general operation of the office.

Prevent Child Abuse - accounts for grant monies received from jurors to aid in the prevention of child abuse. This account was inactive for the fiscal year 2011.

Transportation Health Care - accounts for the general operation of the Transportation Health Care Program. This account was inactive for the fiscal year 2011.

County Assessor Revolving - accounts for the collection of fees for copies and disbursed as restricted by state statute.

**PONTOTOC COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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ZCST-Community Sentencing Travel - accounts for monies received and disbursed for Community Sentencing Planning Council travel claims.

Z-911 - accounts for monies received from private telephone companies for the operations of emergency 911 services.

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

ZREAP - accounts for grant monies received and disbursed as restricted by grant agreement.

ZCOMM2-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.

ZFLOOD-Floodplain Fee - accounts for fee collected for notice of intent for development and flood zone permits, and disbursed for floodplain travel, maintenance, and operation.

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

ZLODGE-County Lodging Tax - accounts for a hotel/motel tax remitted to the County by the Oklahoma Tax Commission.

ZDARE-Sheriff DARE Account - accounts for donations collected by the Sheriff's Department for expenses of the office.

ZCDBG-CDBG Grant - accounts for the receipt grant monies and disbursed as restricted by grant agreement.

ZCHSEC-Courthouse Security - accounts for monies from fees collected by the Court Clerk and disbursed for the payroll of a Sheriff's Deputy for the security of the Courthouse.

ZUSE-Use Tax - accounts for monies collected from the Oklahoma Tax Commission and disbursed for the payroll of the commissioners.

ZDEQ-Department of Environmental Quality - accounts for grant monies received from the State of Oklahoma and disbursed for the maintenance and operation of the Emergency Management office, as voted on by the Local Emergency Management Planning Committee.

ZVAWA-Violence against Women - accounts for grant monies received from the US Department of Justice and disbursed for the payroll of a Sheriff's Deputy.

ZREWARD - accounts for monies collected by the Court Clerk from fee's for the destruction of county road signs.

**PONTOTOC COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

ZHPG-Hazmat Planning Grant - accounts for grant monies received from the State of Oklahoma and disbursed as restricted by the grant requirements.

**PONTOTOC COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through State Department of Commerce:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	13542 CDBG 08	\$ 37,777
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	14073 CDBG 09	216,005
Total U.S. Department of Housing and Urban Development			<u>253,782</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through the Oklahoma Highway Safety Office:			
Interagency Hazardous Materials			
Public Sector Training and Planning Grants	20.703		795
Total U.S. Department of Transportation			<u>795</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the Oklahoma Department Department of Emergency Management:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1712-DR-OK	2,522
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1883-DR-OK	263,221
Total CFDA #97.036			<u>265,743</u>
Hazard Mitigation Grant	97.039		6,525
Emergency Management Performance Grants	97.042		21,949
Total U.S. Department of Homeland Security			<u>294,217</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 548,794</u>

**PONTOTOC COUNTY, OKLAHOMA  
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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



**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
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, 2011, 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 September 23, 2013. 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. 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 Pontotoc County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pontotoc County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2011-1, 2011-6, 2011-9, and 2011-10.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2011-2, 2011-3, 2011-4, 2011-8, and 2011-14.

#### 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-14.

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 responses 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 responses and, accordingly, we express no opinion on the responses.

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



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

September 23, 2013



# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
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 could have a direct and material effect on Pontotoc County's major federal program for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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.

As described in item 2011-19, in the accompanying schedule of findings and questioned costs, Pontotoc County did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Disaster Grants-Public Assistance (Presidentially Declared Disasters) program. Compliance with such requirements is necessary, in our opinion, for Pontotoc County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

### Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pontotoc County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-17, 2011-18, and 2011-21 to be material weaknesses.

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

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



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

September 23, 2013

**PONTOTOC COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

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

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

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

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance  
(Presidentially Declared Disasters)

14.228

Community Development Block  
Grant/State’s Program and Non-  
Entitlement Grants in Hawaii

**PONTOTOC COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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, 2011**

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2011-1—Inadequate County-Wide Controls (Repeat Finding)**

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

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

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

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

**Management Response:**

**BOCC Chairman and County Clerk:** We will meet quarterly, in the County Commissioners' meeting, with all elected officials to discuss and take action regarding risk management and monitoring.

**County Treasurer:** I will meet quarterly with the BOCC and all elected officials in the Commissioners' meeting to discuss and take action regarding risk management and monitoring.

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

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

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



**PONTOTOC COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**Finding 2011-2—Inadequate Internal Controls Over Information Systems Security – County Clerk and County Treasurer (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Treasurer and the County Clerk's office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

1. Passwords are not required to be changed periodically in the County Treasurer's office.
2. All employees in the County Clerk's office have the ability to login to the system's server and passwords are shared between all users.

**Cause of Condition:** Procedures have not been designed to address security management over information systems.

**Effect of Condition:** This condition could result in compromised security for the computers, computer programs, and data.

**Recommendation:** OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character and an expiration of a minimum of at least every ninety days. In addition, OSAI recommends passwords not be shared and access to servers be limited.

**Management Response:**

**County Treasurer:** The County Treasurer's office will begin changing passwords every 90 days.

**County Clerk:** The County Clerk will check with the software vendor to determine what levels of security are in place and will double-check password protection.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver 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.

**PONTOTOC COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-3—Inadequate Internal Controls Over Information Systems – County Treasurer (Repeat Finding)**

**Condition:** The County Treasurer’s office does not have any mitigating controls to reduce the high risk associated with the lack of adequate internal controls within the County’s financial/bookkeeping software.

**Cause of Condition:** The County Treasurer was not aware of the lack of adequate internal controls within the software.

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

**Recommendation:** OSAI recommends the Treasurer implement mitigating controls regarding the County’s financial/bookkeeping software, such as maintaining all receipts and daily totals/reports in a secure location with limited access. In addition, OSAI recommends software updates be implemented upon availability.

**Management Response:**

**County Treasurer:** The County Treasurer’s financial/bookkeeping software provider is working on the issue of lack of adequate internal controls, and will be implemented and updated as soon as they notify the County Treasurer that they are finished.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver 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.

**Finding 2011-4—Disaster Recovery Plan (Repeat Finding)**

**Condition:** The offices of County Treasurer, County Clerk, County Assessor, County Sheriff, Court Clerk, and the Board of County Commissioners do not have a written Disaster Recovery Plan.

**Cause of Condition:** A formal, written Disaster Recovery Plan with regard to the accounting and records was not designed due to the County being unaware for the need of such a procedure.

**Effect of Condition:** The failure to have a current formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring county business could continue uninterrupted.

**PONTOTOC COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Recommendation:** OSAI recommends that each elected official develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

**Management Response:**

**County Commissioner District 1 and District 2:** The County's Emergency Manager has been informed of findings and the corrective measures are currently taking place.

**County Commissioner District 3:** The County's Emergency Manager has been informed of findings and the corrective measures are currently taking place.

**County Treasurer:** The County Treasurer and staff are working on a Disaster Recovery Plan at this time, and when completed, will give copies of this plan to the BOCC and Emergency Management and the County Treasurer will take home a copy.

**County Clerk:** I am in the process of preparing a Disaster Recovery Plan that should be completed within the next 60 days.

**County Assessor:** I intend to complete a Disaster Recovery Plan for the Assessor's office.

**County Sheriff:** The Pontotoc County Sheriff's Office will develop a Disaster Recovery Plan for the safeguarding of assets and to ensure that business could continue as usual in the event of a disaster. The Disaster Recovery Plan will encompass the following items:

1. Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
2. Listing of contracted service providers.
3. Information on location of key resources, including back-up site for recovering operating system, application, data files, operating manuals, and program/system/user documentation.
4. Alternative work locations once IT resources are available.

**Court Clerk:** In response to a Disaster Recovery Plan, I will devise a plan for my office.

**Criteria:** An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster. Disaster Recovery

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Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

**Finding 2011-6—Inadequate Internal Controls Over Segregation of Duties – County Treasurer (Repeat Finding)**

**Condition:** The County Treasurer has segregated the duties of preparing/reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts. In addition, all employees work from the same cash drawer. For mail-in payments, all employees can open the mail and issue receipts. A daily mail log is not maintained.

**Cause of Condition:** In order to provide prompt services to the citizens of Pontotoc County and for ease of operations, the County Treasurer's office utilizes all employees to issue receipts. Additionally, due to the limited number of personnel, one individual is sometimes responsible for all key functions of the office.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

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

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition, OSAI recommends establishing a system of internal controls to adequately protect the collections of the Treasurer's office, which include but are not limited to the following:

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

In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating internal controls to mitigate the risks involved with a concentration of duties. Compensating internal controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

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**Management Response:**

**County Treasurer:** As to points made above – Issuing receipts and maintaining accounting ledgers and reconciling bank statements: It is not within the County Treasurer’s budget at this time to adequately staff the office to segregate these duties any further than they already are. However, bank statements are segregated somewhat, as we do not allow the employee making the deposits to the General Fund to reconcile the General Fund bank statement, nor do we allow the employee that does the Official Deposit to reconcile the Official Depository bank statement. After bank statements are balanced, they are reviewed and approved by the County Treasurer.

Establishing separate cash drawers for cash payments is being reviewed at this time by the County Treasurer so that we can find the best way to accomplish this.

A daily mail log is now being kept by the County Treasurer’s office. We began keeping this log on July 3, 2012. Payments received by mail may not be receipted by the person posting to the mail log.

Point made on preparing/reviewing deposits and taking them to the bank: The General Fund deposits are prepared and reviewed by 3 different people in this office. Receipts are totaled by the 1<sup>st</sup> person; money is counted and totaled by the 2<sup>nd</sup> person; and the deposit is prepared by the 3<sup>rd</sup> person. Deposits are taken to the bank by the County Treasurer or 1<sup>st</sup> Deputy.

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

**Finding 2011-8—Contract Requirements – Use Tax (Repeat Finding)**

**Condition:** Pontotoc County entered into a contract with the Pontotoc County Public Facilities Authority (the Authority). In return for the Authority facilitating the financing, acquisition, design, construction, furnishing, and equipping certain capital improvement projects including a new county detention facility and courthouse improvements, the County pledged to the Authority all its right, title, and interest in sales tax proceeds, together with a corresponding use tax. However, the County has not been remitting the use tax to the Authority as required by the contract.

**Cause of Condition:** Procedures have not been designed to ensure that all requirements of the contract entered into with the Pontotoc County Public Facilities Authority are being met.

**Effect of Condition:** This condition could result in violation of the contract between the County and the Pontotoc County Public Facilities Authority.

**Recommendation:** OSAI recommends the County consult with their legal council to determine if contractual requirements with the Pontotoc County Public Facilities Authority are being properly met.

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**Management Response:**

**BOCC Chairman and County Clerk:** The District Attorney, Trust Attorney, and OSAI have all been consulted regarding correcting this finding. Appropriate measures will be taken to correct the transfer of these funds.

**County Commissioner District 3:** Upon the response from OSAI and the District Attorney, necessary measures will be taken to correct this issue, as well as the transfer of funds as stated within the contract.

**Criteria:** Effective accounting procedures are necessary to ensure stewardship and accountability of public funds. An important aspect of effective accounting procedures include the implementation of procedures designed to ensure that contract requirements are met.

**Finding 2011-9—Inadequate Internal Controls Over Segregation of Duties – Purchasing (Repeat Finding)**

**Condition:** The County Clerk has segregated the duties of encumbering funds and posting to the ledgers from the printing and distribution of payments; however, in addition to encumbering funds and posting to the ledgers, the Purchasing Agent also prepares the purchase orders, reviews for accuracy, and certifies that the purchase orders are ready for payment.

**Cause of Condition:** Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the purchasing process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the 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:**

**County Clerk:** When employee training permits, the purchase order process will be segregated between different employees.

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

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**Finding 2011-10—Inadequate Internal Controls Over Segregation of Duties – Payroll (Repeat Finding)**

**Condition:** Although the County Clerk’s 2<sup>nd</sup> 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.

**Cause of Condition:** Policies and Procedures have not been designed with regard to segregation of duties and/or compensating internal controls of the payroll process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

**Management Response:**

**County Clerk:** When employee training permits, new procedures will be implemented to ensure further segregation of payroll duties.

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

**Finding 2011-14 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with Statute**

**Condition:** In an effort to strengthen internal controls regarding pledged collateral, in January of 2009, the County Treasurer began maintaining a daily ledger documenting the comparison of bank balances to pledged collateral to ensure that county funds were adequately secured against loss. However, the following days were found to be under-pledged:

Date	Amount Under-Pledged
December 14, 2010	\$1,157,004.83
December 22, 2010	\$6,019.28
January 3, 2011	\$38,511.91
January 12, 2011	\$1,438,589.27

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<b>Date</b>	<b>Amount Under-Pledged</b>
January 28, 2011	\$138,139.09
February 11, 2011	\$68,397.81
March 21, 2011	\$625,732.23
April 12, 2011	\$1,134,432.95

**Cause of Condition:** Procedures performed to ensure daily bank deposits are adequately secured are not properly designed. Instead of using the day’s ending bank balance to compare to collateral amounts, the Treasurer used the day’s ending bank balance less any warrants that have cleared the bank but have not been picked up via treasurer’s check.

**Effect of Condition:** Failure to properly monitor pledged collateral amounts would result in unsecured county funds and possible loss of county funds.

**Recommendation:** OSAI recommends the County Treasurer use the end of day bank balance to compare to collateral amounts to ensure adequate collateralization. Documentation for this daily procedure should be maintained.

**Management Response:**

**County Treasurer:** The County Treasurer’s office was informed by the previous County Treasurer and an officer at the bank where our funds are deposited, that the warrant account total at the bank should be deducted from our bank balance when comparing pledged collateral and letters of credit to the bank balance. However, on December 12, 2012, we were informed by OSAI and the bank officer that this procedure was incorrect. The County Treasurer’s office now monitors daily bank balances and compares them to the amount of securities pledged for the County, excluding the warrant account. Documentation for this procedure is maintained on a daily basis.

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

Further, effective internal controls would include monitoring the daily bank balances to the amount of securities pledged to protect the County against loss of investments.



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

**Finding 2011-17—Lack of Internal Controls Over Federal Compliance Requirements (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants-Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1712 and 1883

**FEDERAL AWARD YEAR:** 2011

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** -\$0-

**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; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

**Effect of Condition:** This condition could result in non compliance to grant requirements and loss of federal funds to the County.

**Recommendation:** OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

**Management Response:**

**County Commissioner District 1:** We will set up risk management to go over all grants and federal monies that come in and make sure everyone knows how the money is to be spent and how long they have to spend it. We will make sure more than one person looks at time sheets to make sure they are all correct and that we have at least two officers sign off that they are correctly recorded. We will review and make sure all equipment has the correct federal equipment rental price per hour. We will pull all forms for each disaster and make sure everything is done by federal standards.

**County Commissioner District 2:** Management chose not to respond.

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**County Commissioner District 3:** The County will refer to the A-133 Compliance Supplement, part 6 in an effort to grasp the intent of control procedures to ensure proper compliance with grant requirements.

**Criteria:** *OMB A-133, Subpart C, §\_\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

(b) 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 material effect on each of its Federal programs.

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 2011-18—County-Wide Controls Over Major Programs – FEMA and CDBG**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants—Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1712 and 1883

**FEDERAL AWARD YEAR:** 2011

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**PASS-THROUGH GRANTOR:** Oklahoma Department of Commerce

**FEDERAL AGENCY:** United States Department of Housing and Urban Development

**CFDA NO:** 14.228

**FEDERAL PROGRAM NAME:** Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii

**FEDERAL AWARD NUMBER:** 13542CDBG08 and 14073CDBG09

**FEDERAL AWARD YEAR:** 2011

**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-

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

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

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

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

Examples of control environment and procedures to address control environment for federal programs:

<b>Control Environment</b>	<b>Procedures</b>
The communication to employees from management of its belief that internal controls are important to meeting goals and objectives of federal grants.	<ul style="list-style-type: none"> <li>• Establish written policies and procedures regarding federal funds.</li> <li>• Provide resources and training for the proper handling of federal funds.</li> <li>• Establish a written policy with regards to reporting known or suspected misappropriation of federal funds.</li> </ul>

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

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

Examples and procedures to address information and communication for federal programs:

<b>Information and Communication</b>	<b>Procedures</b>
The information and communication required to prepare the County's SEFA.	<ul style="list-style-type: none"> <li>• Designate one person to prepare the SEFA.</li> <li>• Each department submits a monthly summary of financial information to the designated SEFA preparer.</li> <li>• Record significant grant activity in the BOCC minutes.</li> <li>• Review and approve the SEFA in BOCC meeting.</li> </ul>

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

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

**Management Response:**

**County Commissioner District 1:** We will set up a risk management plan. We will make sure we are in compliance with all grant requirements and that the money is spent in a timely manner and correctly. We will make sure employees have a current compliance supplement to work from. We will make sure the County Treasurer and County Clerk’s office see all reports and see that all checks and balances are done correctly. We will make sure all grant requirements are in compliance and done correctly.

**County Commissioner District 2:** Management chose not to respond.

**County Commissioner District 3:** Upon comprehension of the procedures and requirements as outlined in part 6 of the A-133 Compliance Supplement, Pontotoc County will attempt to implement within all offices, the proper internal controls as recommended by OSAI.

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

**Finding 2011-19—Supporting Documentation – FEMA (Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants-Public Assistance (Presidentially Declared Disasters)

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**FEDERAL AWARD NUMBER:** 1883  
**FEDERAL AWARD YEAR:** 2011  
**CONTROL CATEGORY:** Activities Allowed or Unallowed  
**QUESTIONED COSTS:** \$66,337.70

**Condition:** Documentation for the following District 2 project could not be located to support project costs:

Disaster	Project Worksheet	Undocumented Costs
1883	1152	\$66,337.70

**Cause of Condition:** Procedures have not been designed to ensure compliance with federal grant requirements.

**Effect of Condition:** This condition resulted in the County having incomplete records and noncompliance to grant requirements.

**Recommendation:** OSAI recommends the County maintain all documentation to support work performed for each project worksheet. The documentation should be detailed with the disaster number, project worksheet number, road or location number, site number and the amounts charged for labor, equipment usage, and materials used.

**Management Response:**

**BOCC Chairman:** Regarding disaster and grant money that Pontotoc County District 2 receives; we will make sure they are in compliance with all disaster and grant monies. We will make sure all documentation is correct and all costs are in compliance with federal cost codes and that all costs that are documented are allowable by federal standards. We will have better record keeping and documentation of all federal forms that should have been completed. We will keep correct record of time sheets and have at least two people check the records to make sure everything is done correctly. We will make sure all environmental procedures are followed and done correctly with the right documentation. We will make sure the money is spent on the right roads using the right materials, and have photos of all roads and what the damage was before and after work is done.

**County Commissioner District 2:** Chose not to respond.

**Criteria:** *OMB Circular A-87 C.1.j* states:

1. Factors affecting allowability of costs. To be allowed under Federal awards, costs must meet the following general criteria:
  - j. Be adequately documented.

FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part.

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work. This information should include the

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completed PW; completed Special Consideration Questions form; estimated and actual costs, force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and records of donated goods and services, if any.

**Finding 2011-21—Internal Controls Over Federal Program - CDBG**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Commerce

**FEDERAL AGENCY:** United States Department of Housing and Urban Development

**CFDA NO:** 14.228

**FEDERAL PROGRAM NAME:** Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii

**FEDERAL AWARD NUMBER:** 13542CDBG08 and 14073CDBG09

**FEDERAL AWARD YEAR:** 2011

**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-

**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; 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.

**Cause of Condition:** Procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

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

**Recommendation:** OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

**Management Response:**

**County Commissioner District 1:** We will set up a risk management plan. We will make sure we are in compliance with all grant requirements and that the money is spent in a timely manner and correctly. We will make sure employees have a current compliance supplement to work from. We will make sure the

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County Treasurer and County Clerk's office see all reports and see that all checks and balances are done correctly. We will make sure all grant requirements are in compliance and done correctly.

**County Commissioner District 2:** Management chose not to respond.

**County Commissioner District 3:** The County will refer to the A-133 Compliance Supplement, part 6 in an effort to grasp the intent of control procedures to ensure proper compliance with grant requirements.

**Criteria:** *OMB A-133, Subpart C, §\_\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

(b) 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 material effect on each of its Federal programs.

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

**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2011-5—Lack of Documentation of Officers' Travel Allowance Compensation (Repeat Finding)**

**Condition:** Prior to September 2003, county officials were receiving a monthly travel allowance. The County passed a resolution to include travel allowance in with their salaries, which states:

- The Officers of Pontotoc County hereby agree to transfer travel was increased in order that all salaries would be the same amount. allowance based on Oklahoma State Statute Title 19 Section 165A to their salary account. Travel allowance for some officers

It appears that all Elected Officials, with the exception of those who drive county vehicles (the County Commissioners and the County Sheriff), have declined all in-county travel compensation; however there is no documentation to support this.

**Cause of Condition:** The County has not established a policy pertaining to county officials' travel allowance.

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**Effect of Condition:** The lack of documentation from County Officials who have declined in-county travel compensation could result in a liability for the County.

**Recommendation:** OSAI recommends the Board of County Commissioners establish and approve a policy pertaining to County officials monthly travel allowance. Further, OSAI recommends after establishing a travel policy for the elected official that each officer choose and document one of the following travel elections.

- Receive the monthly travel allowance as outlined by statute.
- File monthly claims with appropriate documentation for actual out of pocket travel expenses.
- Drive a county-owned vehicle in lieu of a monthly allowance.

In the event that an official requests to decline all in-county travel compensation, documentation should be maintained to provide evidence of the election.

**Management Response:**

**BOCC Chairman and County Clerk:** We will formulate a statement of travel intent from each county official at the beginning of each fiscal year or at the appointment or election of each newly elected official.

**County Commissioner District 3:** Corrective documentation will be created to identify the means of travel that each officer so chooses, whereas it reflects how each shall be compensated in accordance with state statute.

**Criteria:** 19 O.S. § 164, 19 O.S. § 165(A), and 19 O.S. § 180.43(B) outlines the methods of travel compensation that county officials may receive.

**Finding 2011-15—Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary (Repeat Finding)**

**Condition:** An examination of the Inmate Trust and Sheriff Commissary funds revealed the following:

- One employee performs all of the daily activity in the Inmate Trust account such as issuing receipts, balancing the cash drawer, preparing deposit slips, and posting payments to inmate records. In addition, this employee has custody of the bank statements.
- Expenditures are being made from the Inmate Trust account rather than the Sheriff Commissary fund.
- All receipts are not issued in numerical order.
- Collections are not deposited daily.
- Two authorized signatures are not required on Inmate Trust account checks.
- Bank statement reconciliations are not performed.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15, of each year.



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- The Board of County Commissioners did not approve the contract with the commissary vendor.
- The original was not retained for all voided receipts.

**Cause of Condition:** Policies and procedures have not been designed regarding the Inmate Trust and Sheriff Commissary accounts.

**Effect of Condition:** This condition could result in the County being in noncompliance with statutes, laws, regulations or legislative intent. Also, without proper accounting and safeguarding of the Inmate Trust Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Expenditures should be made from the Sheriff Commissary fund in accordance with 19 O.S. § 180.43.
- All receipts should be issued in numerical order.
- All collections should be deposited daily.
- All checks from the Inmate Trust Fund should have two authorized signatures.
- Inmate Trust Fund monies should be maintained in a manner that reflects all Inmate Trust deposits, disbursements, and account balances. The Inmate Trust Fund balances should be reconciled to the bank statements each month.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15, of each year.
- All contracts should be renewed and approved by the Board of County Commissioners yearly.
- Original voided receipts should be maintained.

**Management Response:**

**County Sheriff:**

1. The Pontotoc County Sheriff's Office will assure the segregation among different individuals in the handling of funds for the Inmate Trust and Sheriff Commissary fund. This will be accomplished by having a separation of individuals counting the funds, receipting the funds, and depositing the funds.
2. All expenditures from the Inmate Trust and Sheriff Commissary funds will be made in accordance with 19 O.S. § 180.43.
3. All receipts will be issued in numerical order.
4. All collections will be deposited daily.
5. All checks from the Inmate Trust fund shall have two authorized signatures.
6. The Inmate Trust Fund shall be maintained in a manner that reflects all Inmate Trust deposits, disbursements, and account balances. The Inmate Trust Fund balances will be reconciled to the bank statement each month.
7. The Sheriff will file with the Board of County Commissioners an annual report on the Sheriff's Commissary by January 15<sup>th</sup> of each year.
8. All contracts will be renewed and approved by the Board of County Commissioners yearly.

**PONTOTOC COUNTY, OKLAHOMA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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9. All original voided receipts will be maintained.

**Criteria:** The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. All collections should be receipted in sequential order and deposited daily, two authorized signatures should be required on all Inmate Trust account checks, bank reconciliations should be performed each month, and contracts should be approved by the Board of County Commissioners, contain all pertinent information, and be on file with the County.

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

Title 19 O.S. § 531(A) states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account.” The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

**PONTOTOC COUNTY, OKLAHOMA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2008-16—Lack of Internal Controls Over Federal Compliance Requirements – FEMA  
(Repeat Finding)**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants-Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1678 and 1712

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** -\$0-

**Finding Summary:** The County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability; and Procurement.

**Status:** Not Corrected. A similar finding is included for fiscal year ending June 30, 2011.

**Finding 2008-17—County-Wide Controls Over Major Programs – FEMA**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management

**FEDERAL AGENCY:** United States Department of Homeland Security

**CFDA NO:** 97.036

**FEDERAL PROGRAM NAME:** Disaster Grants–Public Assistance (Presidentially Declared Disasters)

**FEDERAL AWARD NUMBER:** 1678 and 1712

**FEDERAL AWARD YEAR:** 2008

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

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

**Status:** Not Corrected. A similar finding is included for fiscal year ending June 30, 2011.

**PONTOTOC COUNTY, OKLAHOMA  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2008-18—Documentation of Administrative Costs – FEMA**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management  
**FEDERAL AGENCY:** United States Department of Homeland Security  
**CFDA NO:** 97.036  
**FEDERAL PROGRAM NAME:** Disaster Grants-Public Assistance (Presidentially Declared Disasters)  
**FEDERAL AWARD NUMBER:** 1678 and 1712  
**FEDERAL AWARD YEAR:** 2008  
**CONTROL CATEGORY:** Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking  
**QUESTIONED COSTS:** \$5,661.01

**Finding Summary:** The County did not have adequate documentation to support all direct administrative costs.

**Status:** Corrected.

**Finding 2008-19—Supporting Documentation – FEMA**

**PASS-THROUGH GRANTOR:** Oklahoma Department of Emergency Management  
**FEDERAL AGENCY:** United States Department of Homeland Security  
**CFDA NO:** 97.036  
**FEDERAL PROGRAM NAME:** Disaster Grants-Public Assistance (Presidentially Declared Disasters)  
**FEDERAL AWARD NUMBER:** 1678 and 1712  
**FEDERAL AWARD YEAR:** 2008  
**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment.  
**QUESTIONED COSTS:** \$26,448.59

**Finding Summary:** The County did not maintain adequate documentation to support three projects tested.

**Status:** Not Corrected. A similar finding is included for fiscal year ending June 30, 2011.



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
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