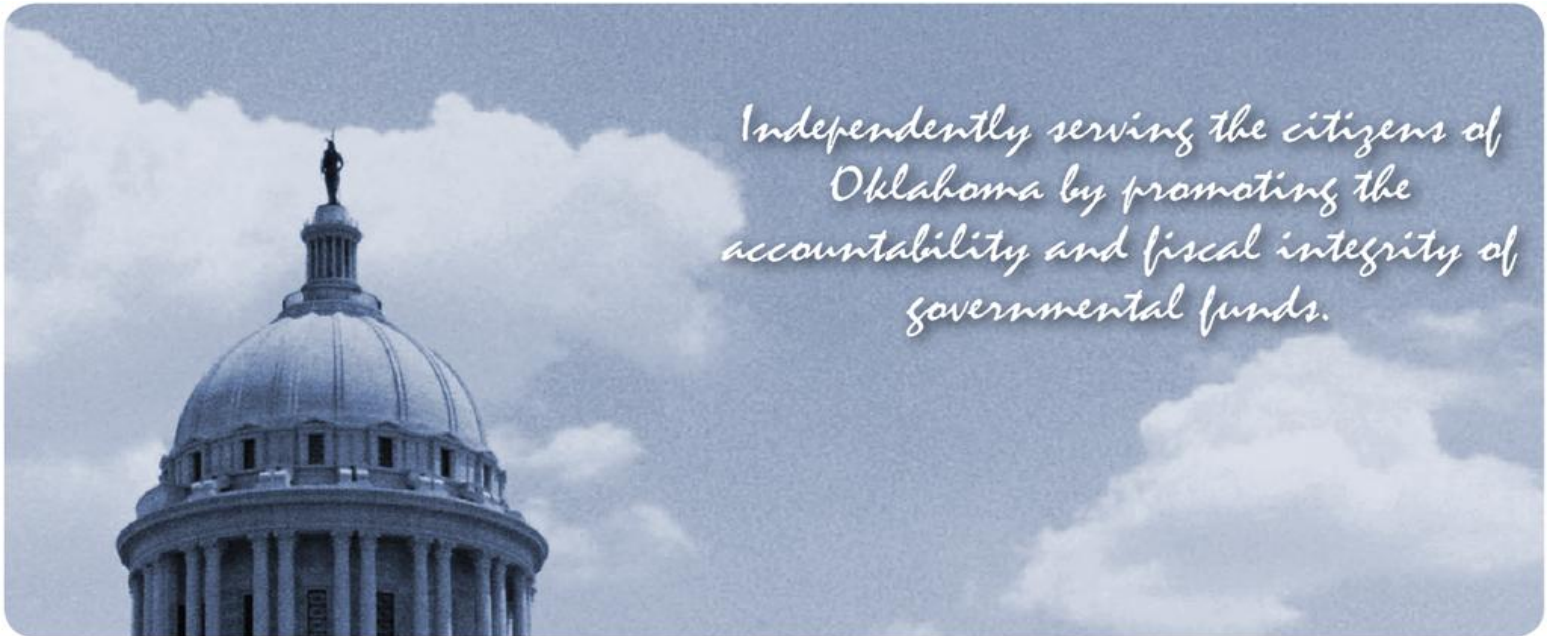


COUNTY AUDIT

# PONTOTOC COUNTY

For the fiscal year ended June 30, 2013



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



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

**PONTOTOC COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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

January 25, 2016

TO THE CITIZENS OF  
PONTOTOC COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pontotoc County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

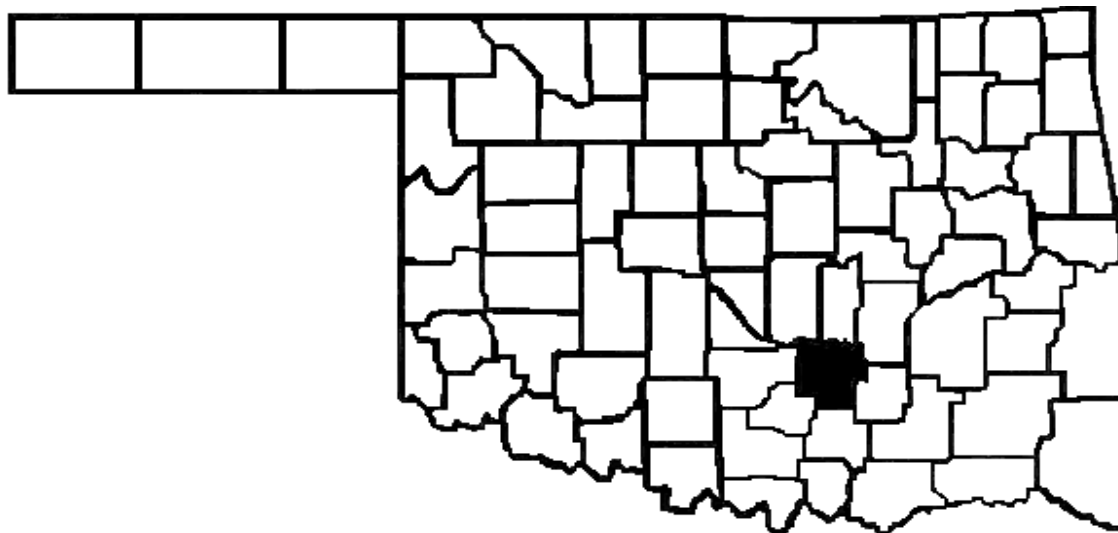
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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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 natural resources of limestone, shale, silica sand, and clay have attracted manufacturers of glass, cement, and brick. Many diverse businesses, including LegalShield, are located in the county. Underground springs from the Arbuckle-Simpson Aquifer furnish an abundant pure water supply, and the county is also the hub of some of Oklahoma’s richest oil and gas production.

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

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

County Seat –Ada

Area – 725.45 Square Miles

County Population – 37,958  
(2012 est.)

Farms –1,424

Land in Farms – 379,236 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

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**Board of County Commissioners**

District 1 – Gary Starns  
District 2 – Randy Floyd  
District 3 – Justin Roberts

**County Assessor**

Shari Todd

**County Clerk**

Pam Walker

**County Sheriff**

John Christian

**County Treasurer**

Glenda Gonderman

**Court Clerk**

Karen Dunnigan

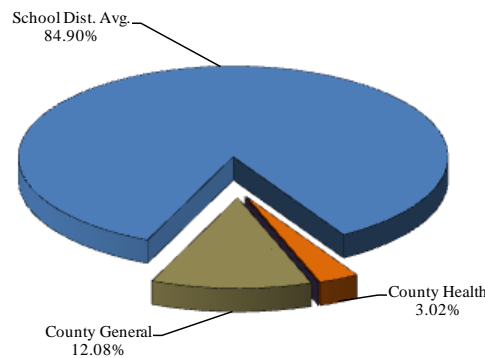
**District Attorney**

Chris Ross



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

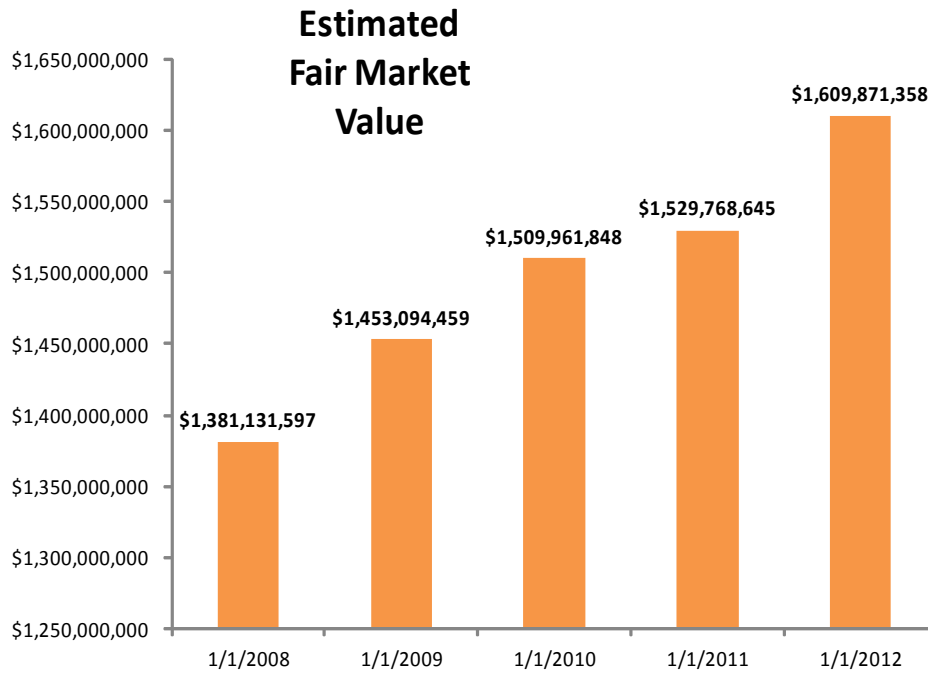
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.24								
County Health	2.56	Allen	I-1	35.99	5.14	8.70	12.24	4.10	66.17
		Vanoss	I-9	37.15	5.31	11.36	12.24	4.10	70.16
		Byng	I-16	35.61	5.09	7.46	12.24	4.10	64.50
		Ada	I-19	35.40	5.06	10.24	12.24	4.10	67.04
		Latta	I-24	36.04	5.15	21.90	12.24	4.10	79.43
		Stonewall	I-30	36.85	5.26	14.97	12.24	4.10	73.42
Cities and Towns		Roff	I-37	36.93	5.27	6.98	12.24	4.10	65.52
Ada	1.16	Asher	J-112	36.16	5.17	32.15	15.18	4.10	92.76
		Stratford	J-2	37.36	5.34	24.45	11.61	4.10	82.86
		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, 2013**

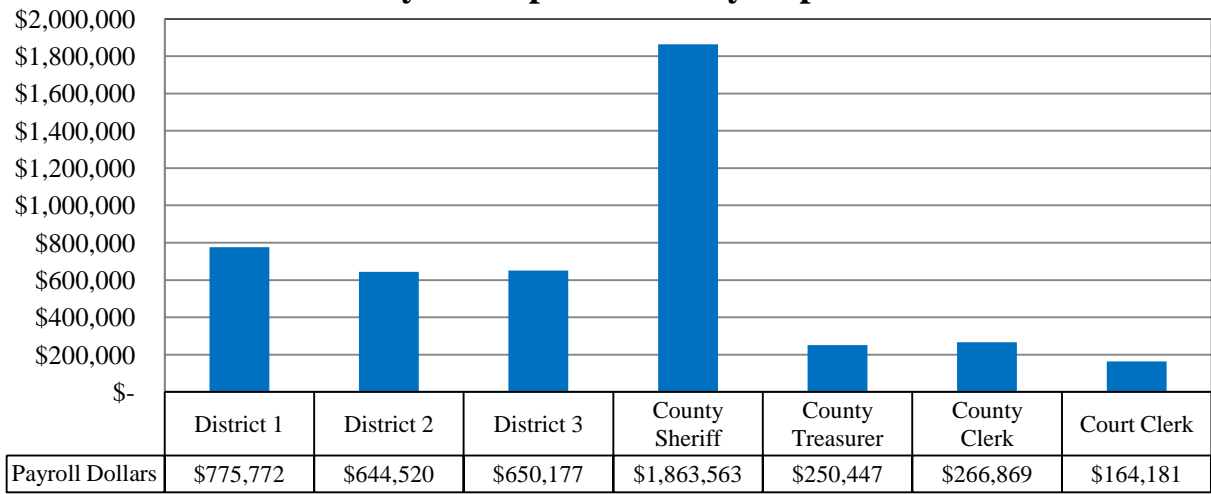
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$36,472,753	\$32,738,684	\$139,518,628	\$9,897,960	\$198,832,105	\$1,609,871,358
1/1/2011	\$31,603,736	\$33,417,524	\$134,418,817	\$9,975,491	\$189,464,586	\$1,529,768,645
1/1/2010	\$33,930,701	\$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



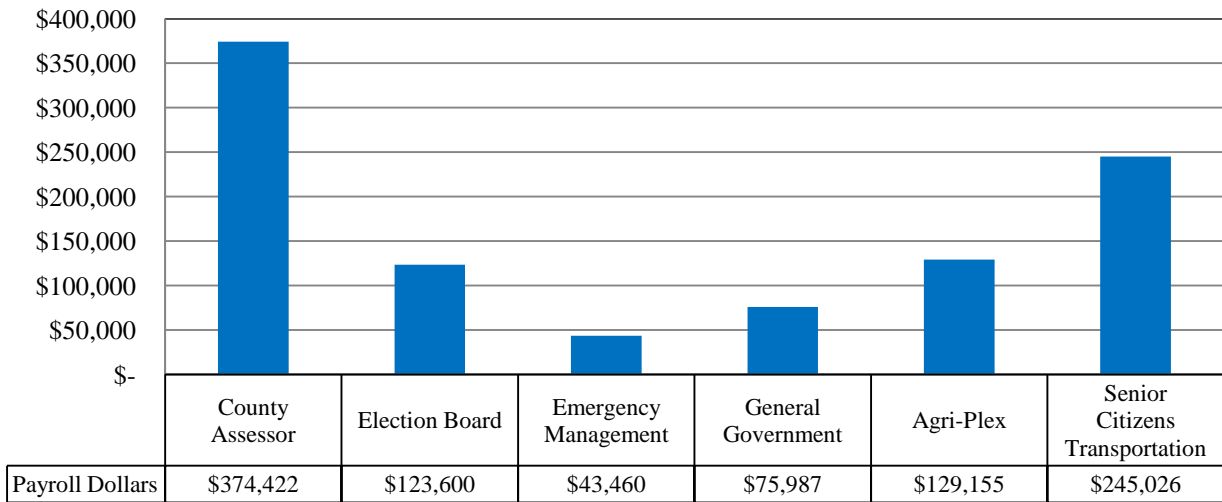
**PONTOTOC COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

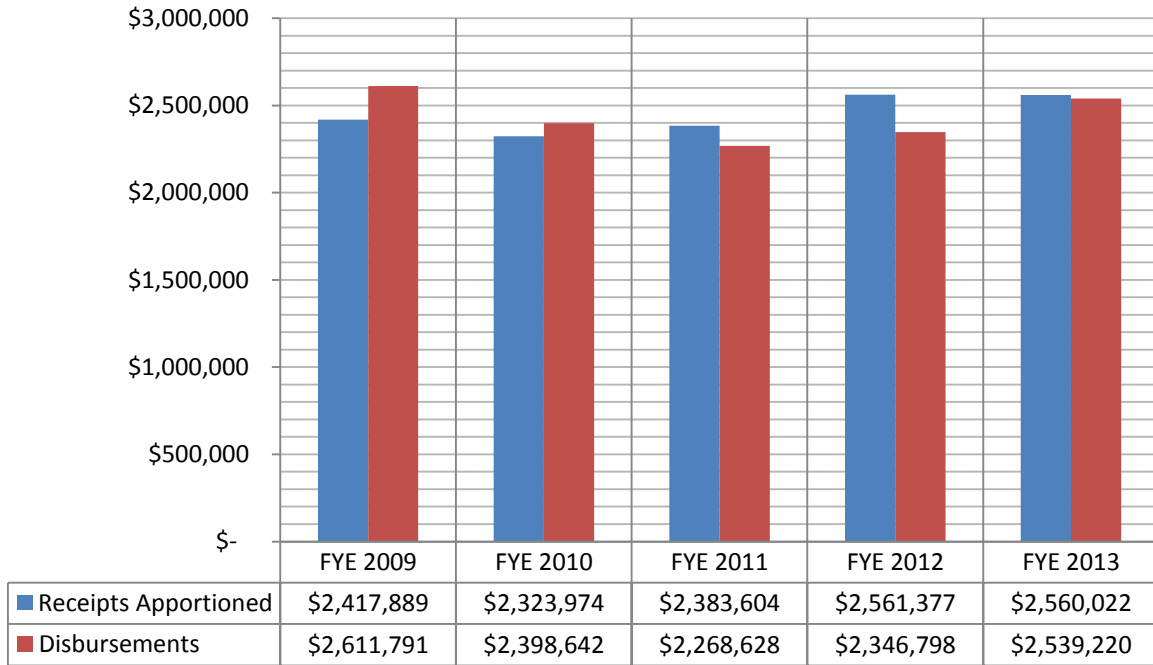


**PONTOTOC COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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.

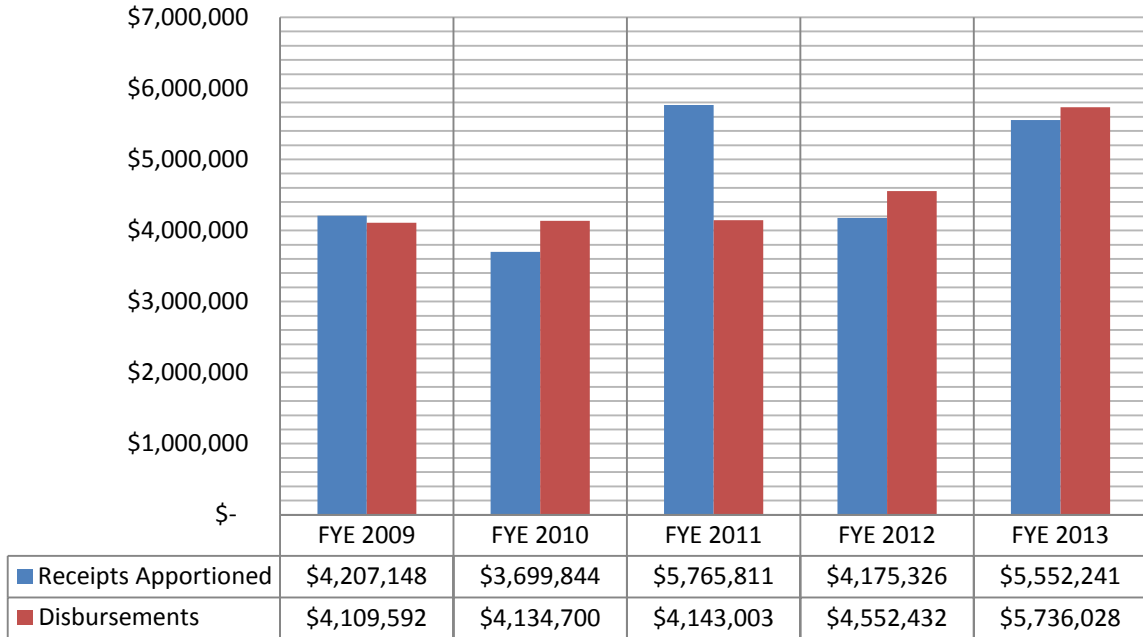


**PONTOTOC COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

### *Management's Responsibility for the Financial Statement*

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

### *Auditor's Responsibility*

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Pontotoc County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, 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 in considering Pontotoc County's internal control over financial reporting and compliance.

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

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

January 21, 2016

**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, 2013**

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	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 977,137	\$ 2,560,022	\$ 870,083	\$ 701,998	\$ 2,539,220	\$ 1,166,024
T-Highway	3,019,550	5,552,241	470,000	340,000	5,736,028	2,965,763
Resale Property	306,136	163,743	100,072	100,000	98,198	371,753
County Health	552,144	601,700	-	-	467,974	685,870
Sheriff Fee Cash Account	955,601	1,000,962	-	-	1,039,619	916,944
Z-Preservation	145,721	47,477	100,000	100,000	54,157	139,041
ZSALESTAX-Sales Tax Cash Account	381,857	3,302,984	-	-	3,005,608	679,233
ZUSE-Use Tax	75,484	184,080	-	149,581	65,064	44,919
ZFIRETAX-Sales Tax Cash Account	-	77,271	-	-	-	77,271
Remaining Aggregate Funds	752,853	1,161,362	-	-	1,205,534	708,681
<b>Combined Total - All County Funds</b>	<b>\$ 7,166,483</b>	<b>\$ 14,651,842</b>	<b>\$ 1,540,155</b>	<b>\$ 1,391,579</b>	<b>\$ 14,211,402</b>	<b>\$ 7,755,499</b>

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, 2013**

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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 government.

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

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

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

Sheriff Fee Cash Account – accounts for the collection and disbursement of Sheriff process service fees, housing of prisoners, and other Sheriff fees as restricted by state statute.

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

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Z-Preservation – accounts for fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records as restricted by state statute.

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.

ZUSE-Use Tax – accounts for monies collected from the Oklahoma Tax Commission and disbursed for the payroll of the County Commissioners and reimbursement to the Pontotoc County Public Facilities Authority.

ZFIRETAX-Sales Tax Cash Account – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for Call-A-Ride public transit, Pontotoc County Emergency Management, Pontotoc County owned nutrition centers, fire departments, and Pontotoc County General Fund for administrative fees.

**C. Basis of Accounting**

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

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

**D. Budget**

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

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

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**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the

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

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

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

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

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

**C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures that 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

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

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of the County Detention Facility until repealed by the majority of electors of Pontotoc County. These funds are accounted for in the ZSALESTAX-Sales Tax Cash Account.

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

**E. Interfund Transfers**

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

- \$80,000, \$100,000, and \$100,000 was transferred from T-Highway, Resale Property, and Z-Preservation funds respectively, to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$80,000, \$100,000, and \$100,000 was transferred from the County General Fund to T-Highway, Resale Property, and Z-Preservation funds respectively for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$421,998 and \$149,581 was transferred to the Pontotoc County Public Facilities Authority, a trust and agency fund, from the County General Fund and ZUSE–Use Tax fund, respectively, for the remittance of use tax in accordance with the contract requirements.
- \$590,083 was transferred to the County General Fund from the Pontotoc County Public Facilities Authority to refund the remittance of use tax.
- \$72 was transferred from the Excess Resale Fund, a trust and agency fund, to the Resale Property fund, in accordance with 68 O.S. § 3131C.
- \$390,000 was transferred from the Emergency and Transportation Revolving (ETR) fund, a trust and agency fund, to the T-Highway fund as a loan used for bridge and road projects in the County.
- \$260,000 was transferred from the T-Highway fund to the Emergency and Transportation Revolving (ETR) fund, a trust and agency fund, for the repayment of a loan.



**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, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 977,137	\$ 977,137	\$ -
Less: Prior Year Outstanding Warrants	(177,936)	(177,936)	-
Less: Prior Year Encumbrances	(105,263)	(98,053)	7,210
Beginning Cash Balances, Budgetary Basis	<u>693,938</u>	<u>701,148</u>	<u>7,210</u>
Receipts:			
Ad Valorem Taxes	1,850,946	2,030,276	179,330
Charges for Services	145,100	176,475	31,375
Intergovernmental Revenues	286,900	298,866	11,966
Miscellaneous Revenues	610,223	54,405	(555,818)
Total Receipts, Budgetary Basis	<u>2,893,169</u>	<u>2,560,022</u>	<u>(333,147)</u>
Expenditures:			
District Attorney	5,000	5,000	-
County Sheriff	781,800	758,401	23,399
County Treasurer	210,100	208,203	1,897
County Commissioners	16,427	16,427	-
County Commissioners OSU Extension	93,000	92,611	389
County Clerk	285,950	257,504	28,446
Court Clerk	165,400	164,289	1,111
County Assessor	223,800	217,481	6,319
Revaluation of Real Property	210,800	187,811	22,989
General Government	1,295,615	301,102	994,513
Excise-Equalization Board	9,600	8,768	832
County Election Board	136,115	133,151	2,964
Civil Defense-Emergency Management	51,500	50,943	557
County Audit Budget Account	90,000	70,117	19,883
Free Fair Budget Account	12,000	11,741	259
Total Expenditures, Budgetary Basis	<u>3,587,107</u>	<u>2,483,549</u>	<u>1,103,558</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ 777,621</u>	<u>\$ 777,621</u>
Operating Transfers:			
Transfers In		870,083	
Transfers Out		(701,998)	
Net Operating Transfers		<u>168,085</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		173,517	
Add: Current Year Encumbrances		46,801	
Ending Cash Balance		<u>\$ 1,166,024</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, 2013**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 552,144	\$ 552,144	\$ -
Less: Prior Year Outstanding Warrants	(11,856)	(11,856)	-
Less: Prior Year Encumbrances	(31,118)	(27,028)	4,090
Beginning Cash Balances, Budgetary Basis	509,170	513,260	4,090
Receipts:			
Ad Valorem Taxes	462,737	507,189	44,452
Charges for Services	16,662	92,411	75,749
Intergovernmental Revenues	-	2,100	2,100
Total Receipts, Budgetary Basis	479,399	601,700	122,301
Expenditures:			
Health and Welfare	988,569	503,439	485,130
Total Expenditures, Budgetary Basis	988,569	503,439	485,130
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	611,521	\$ 611,521
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		41,615	
Add: Current Year Outstanding Warrants		32,734	
Ending Cash Balance		\$ 685,870	

**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, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Visual Inspection	\$ 12,309	\$ -	\$ -	\$ 12,309
County Clerk Lien Fee	31,366	22,942	22,234	32,074
ZMTCERT-Mortgage Tax Certificate	24,685	8,452	3,227	29,910
Senior Citizens Transportation	89,511	385,904	386,777	88,638
Agri-Plex	66,016	154,255	156,358	63,913
Prevent Child Abuse	15	-	-	15
Transportation Health Care	7	-	-	7
County Assessor Revolving	66,905	5,856	3,030	69,731
ZCST-Community Sentencing Travel	1,762	-	-	1,762
Z-911	2,701	1,055	855	2,901
ZSALE-Proceeds of Sale	25,705	72	25,375	402
ZREAP	2,689	28,324	9,473	21,540
ZHOME-Home Grant	75,625	40,593	116,218	-
ZCOMM2-Sheriff Commissary	66,657	152,708	143,411	75,954
ZFLOOD-Floodplain Fee	770	910	218	1,462
ZHLAND-Homeland Security Grant	800	-	-	800
ZLODGE-County Lodging Tax	234,437	241,664	216,950	259,151
ZDARE-Sheriff DARE Account	3,044	-	-	3,044
ZCDBG-CDBG Grant	1,932	53,750	48,932	6,750
ZCHSEC-Courthouse Security	11,795	38,150	37,306	12,639
ZREWARD	100	100	-	200
ZEM-Emergency Management	25,311	14,355	29,254	10,412
ZDEQ-Department of Environmental Quality	2,343	1,000	-	3,343
ZHPG-Hazmat Planning Grant	6,368	6,415	5,916	6,867
ZFIREUSE-Use Tax	-	4,857	-	4,857
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 752,853</b>	<b>\$ 1,161,362</b>	<b>\$ 1,205,534</b>	<b>\$ 708,681</b>

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

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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:

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

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

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

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

Agri-Plex – accounts for fees and donations collected for rentals and events held at the Agri-Plex for the general operation of the facility.

Prevent Child Abuse – accounts for donations from witness fee recipients to aid in the prevention of child abuse.

Transportation Health Care – accounts for the general operation of the Transportation Health Care program.

County Assessor Revolving – accounts for the collection of fees for copies and sale of plat books and disbursed as restricted by state statute.

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

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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 and disbursed for maintenance and support of the 911 infrastructure.

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

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

ZHOME–Home Grant – accounts for federal grant monies received and disbursed as restricted by the grant agreement with the Oklahoma Housing Finance Agency.

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 fees 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 and disbursed for Agri-Plex use and county marketing and touring.

ZDARE–Sheriff DARE Account – accounts for donations collected by the County Sheriff’s department for expenses of the office for drug awareness and education.

ZCDBG–CDBG Grant – accounts for federal grant monies received and disbursed as restricted by the grant agreement with Oklahoma Department of Commerce.

ZCHSEC–Courthouse Security – accounts for monies from fees collected by the Court Clerk and disbursed for the payroll of a County Sheriff’s Deputy for the security of the courthouse.

ZREWARD – accounts for monies collected by the Court Clerk from fees for the destruction of county road signs and littering offenses/illegal dumping.

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

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

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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.

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

ZFIREUSE–Use Tax – accounts for monies collected from the Oklahoma Tax Commission and disbursed for the use of Pontotoc County.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF  
PONTOTOC COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pontotoc County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Pontotoc County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 21, 2016.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1 and 2013-2.

### **Compliance and Other Matters**

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

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

### **Pontotoc County's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



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

January 21, 2016

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

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2013-1 - Inadequate Segregation of Duties Over the Purchasing Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s purchasing process, the following weaknesses were noted:

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

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to the purchasing process to ensure adequate internal controls.

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

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the following regarding the purchasing process:

- Key accounting functions of the purchasing process should be adequately segregated.
- When facsimile signatures are printed on warrants by the software system, the County Clerk should review and initial the warrants after they are printed and the blank check stock should not be in the custody of any employee who has access to print warrants.

**Management Response:**

**County Clerk:** A lack of personnel requires some overlapping of duties. Our office will attempt to structure procedures for more segregation. In addition, in the future, either the County Clerk or the BOCC Chairman will review and initial warrants after they are printed and also additional internal controls regarding facsimile signatures will be implemented.

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

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

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**Finding 2013-2 - Inadequate Segregation of Duties Over the Payroll Process (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 over the payroll process.

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

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

**Management Response:**

**County Clerk:** Due to lack of personnel, this office cannot provide the amount of segregation deemed necessary. Our office will attempt to implement compensating controls to comply with the best of our ability.

**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.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2013-4 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry and observation, we noted the following weaknesses with regard to internal controls related to the collection process of the Court Clerk.

- One employee issues receipts, reconciles daily receipts, prepares deposits, and takes the deposit to the County Treasurer.
- Deputies open and distribute payments received by mail, but a mail log is not maintained.

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

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**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure accountability and stewardship over all funds. Additionally, due to the limited number of personnel within each office, one individual is responsible for all the key functions of the office.

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

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the receipting process, OSAI recommends that one employee should not be performing all of the duties regarding issuing receipts, reconciling the daily receipts, preparing the deposit, and delivering the deposit to the County Treasurer. In addition, a daily log of mailed in payments should be compiled and maintained.

**Management Response:**

**Court Clerk:** I have designed a plan for mitigating segregation of duties as follows: I will begin alternating each of my deputies to put receipts in order and each will initial the stack each day. I will also alternate between two deputies to prepare the deposit with each checking the other one off and alternating between the two to take to the County Treasurer. In addition, I, along with a deputy, will open the mail and sort with a deputy so we are both accountable for what was received that day. Also, a mail log will be prepared daily.

**Criteria:** Accountability and stewardship are over all goals of management in the accounting of funds. To help ensure a proper accounting of funds, 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.

**Finding 2013-6 - Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- One employee retrieves funds from the commissary kiosk, prepares the deposit slip, takes the deposit to the bank, and marks the funds as deposited in the commissary system.
- Deposits to the Inmate Trust Fund Checking Account are not made daily.
- Inmate ledger balances are not reconciled to the bank statements.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than to the Sheriff Commissary Fund or refund to inmates.
- The Sheriff's Office does not file an annual report for the commissary fund with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

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

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

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

**Recommendation:** OSAI recommends the following:

- 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.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

**Management Response:**

**County Sheriff:**

- The Pontotoc County Sheriff, as of July 2015, has designated an additional employee at the Justice Center to assist with the segregation of duties in accepting and depositing funds. One employee is now designated to collect all funds, and then prepares the funds for deposits daily. A second and separate employee confirms the deposit and takes the deposit to the bank. Once the funds are deposited, they are marked as deposited in the commissary system.
- The Pontotoc County Justice Center staff responsible for this duty will promptly reconcile all inmate ledger balances with the bank statement monthly. This will be monitored by administrative staff for compliance.
- The Pontotoc County Sheriff neglected to provide the yearly commissary report to the Board of County Commissioners as stated in the audit findings. The Sheriff will provide this report by January 15<sup>th</sup> of each year.
- I visited with staff as to what other uses of the Inmate Trust funds have occurred. The only two expenditures I have been apprised are as follows: (1) Staff used the inmate trust funds for inmate's personal pre-existing condition medications. There have been instances where the pre-existing condition prescribed medication fell outside the realm of the Pontotoc County Justice Center's responsibility. In addition, there were no other responsible parties available to provide these medications. At these times, the purchase of the inmate's prescriptions from the inmate's trust funds was allowed by staff. (2) The staff of the Pontotoc County Justice Center allowed inmates to use the Inmate's Trust Fund to make bond for themselves when no other source could be found. The use of the inmate trust funds has always been used with the inmate's authorization. The holding of an inmate that has bond set by a Judge, then not allowed to use the inmate's trust

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

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fund to make bond, in essence would be keeping the inmate incarcerated illegally. This would be a violation of the inmate's civil rights. While I realize the use of the inmate trust funds for these purposes do not appear to be specifically outlined in Title 19 O.S. § 531, section B of this statute does allow for other uses. I believe a review of this statute should be conducted and recommended changes be made for the use of the inmate's trust funds. These recommended changes should then be presented to the Oklahoma State Legislature for implementation into the statute. In conclusion, a review of Title 19 O.S. § 531 by the Sheriff and Pontotoc County Justice Center staff will be conducted to ensure full compliance with the law. A request for an opinion from the Pontotoc County District Attorney's Office will be requested for guidance in this matter.

- Pontotoc County Justice Center staff has received instruction on numerous occasions as to their responsibility to make timely, daily deposits. The instructions have been provided again as of this reporting and will be monitored as to compliance by Sheriff's office administrative staff.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, no one individual should have the ability to have physical custody of assets, prepare deposits, make deposits, and sign off that deposits are completed. In addition, bank reconciliations should be performed each month and funds should be deposited daily.

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."

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



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