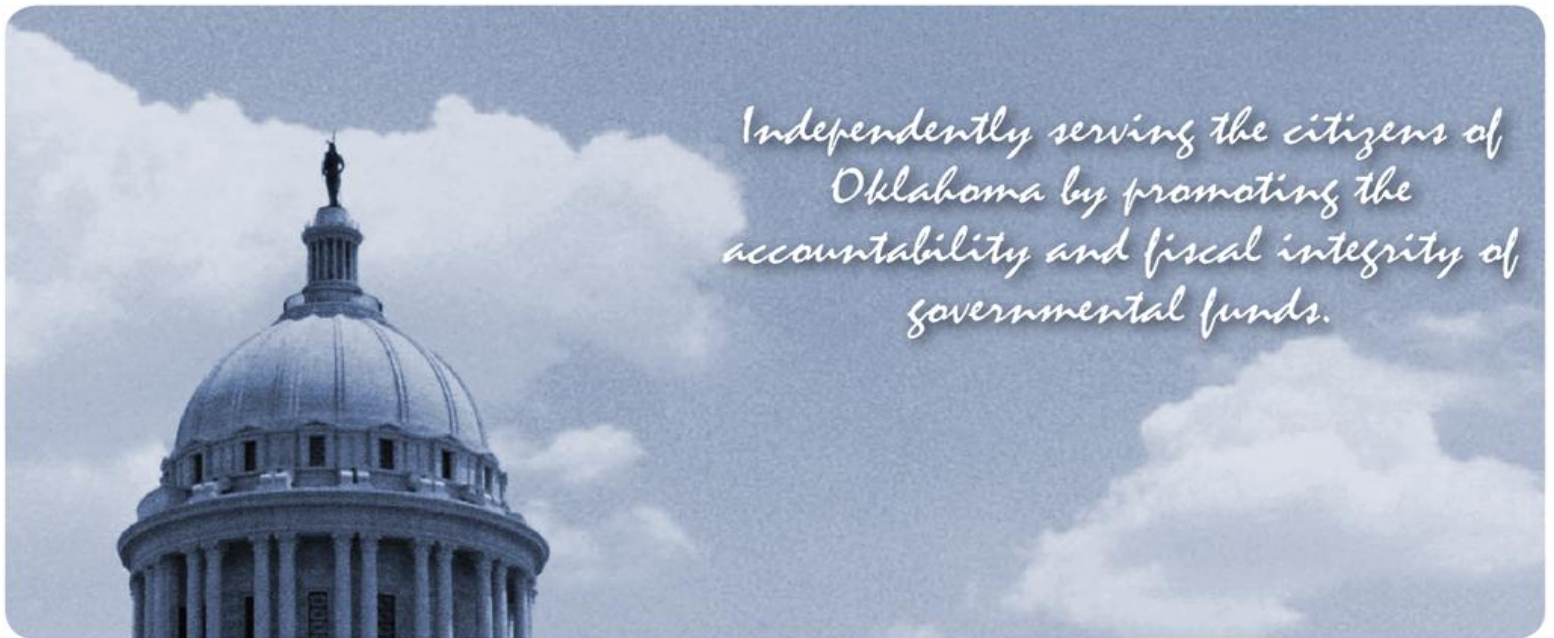


COUNTY AUDIT

PONTOTOC COUNTY

For the fiscal year ended June 30, 2014



*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, 2014**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital 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, 2014. 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", with a long, sweeping horizontal line extending to the right.

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

**PONTOTOC COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**PONTOTOC COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

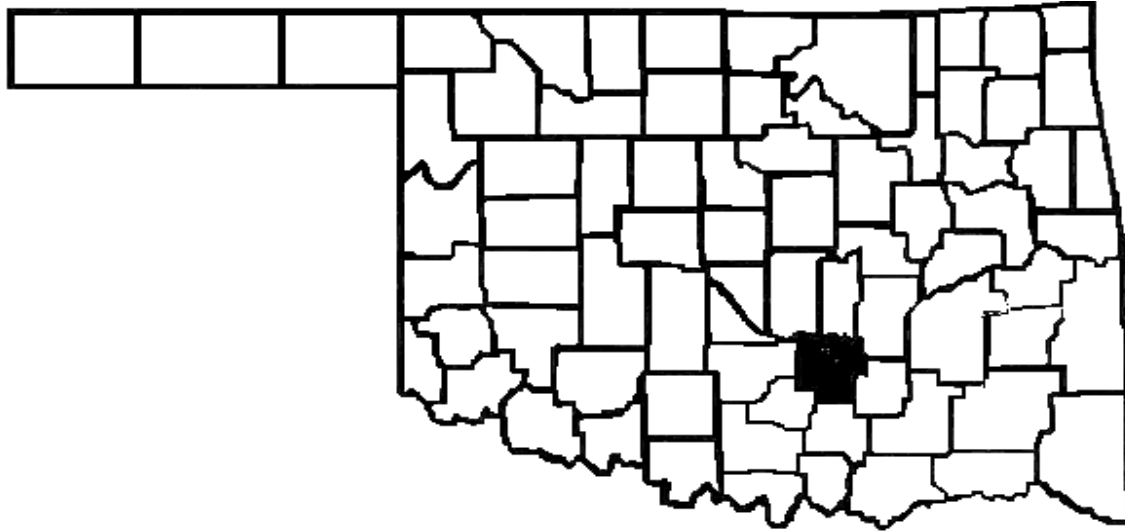
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**PONTOTOC COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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 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 – 37,958
(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, 2014**

Board of County Commissioners

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

County Assessor

Debbie Byrd

County Clerk

Pam Walker

County Sheriff

John Christian

County Treasurer

Glenda Gonderman

Court Clerk

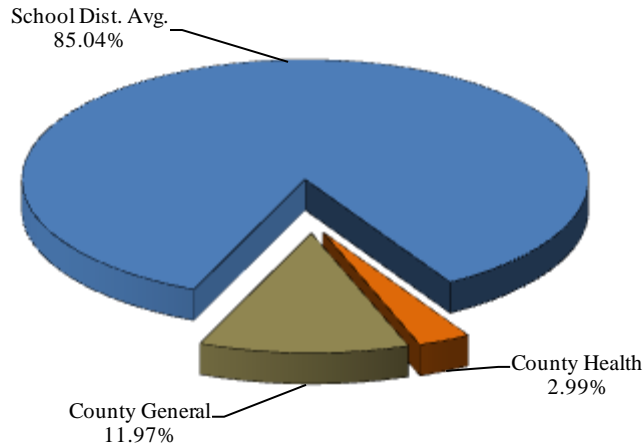
Karen Dunnigan

District Attorney

Chris Ross

**PONTOTOC COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

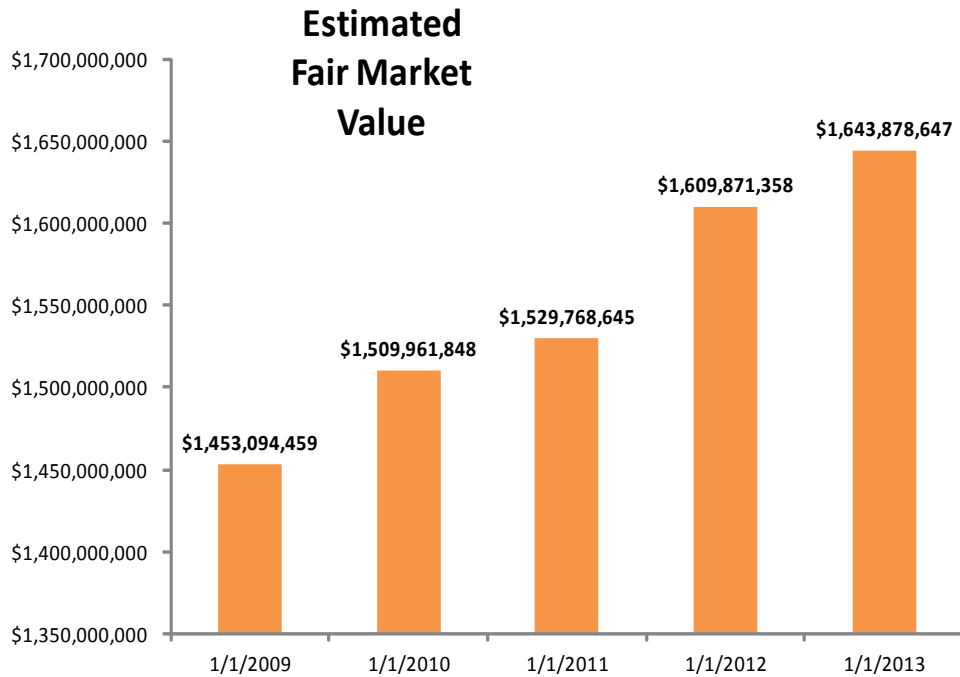
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	8.71	12.24	4.10	66.18
		Vanoss	I-9	37.15	5.31	17.34	12.24	4.10	76.14
		Byng	I-16	35.61	5.09	8.90	12.24	4.10	65.94
		Ada	I-19	35.40	5.06	10.81	12.24	4.10	67.61
Cities and Towns		Latta	I-24	36.04	5.15	20.72	12.24	4.10	78.25
Ada	1.46	Stonewall	I-30	36.85	5.26	15.20	12.24	4.10	73.65
		Roff	I-37	36.93	5.27	6.40	12.24	4.10	64.94
		Asher	J-112	36.83	5.26	31.50	15.63	4.10	93.32
		Statford	J-2	37.36	5.34	25.03	11.61	4.10	83.44
		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, 2014**

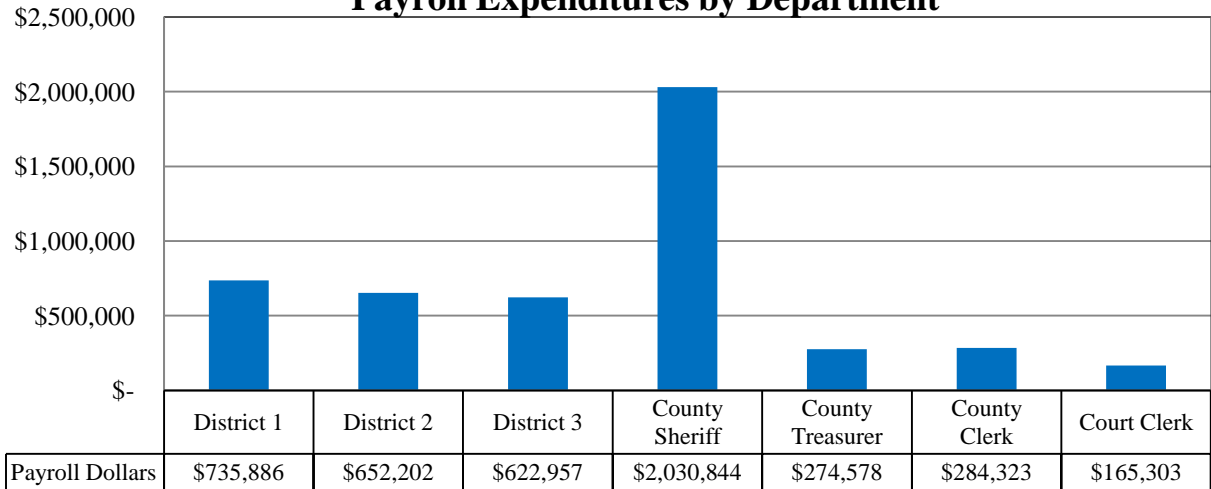
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$35,548,786	\$32,664,777	\$144,562,283	\$9,916,930	\$202,858,916	\$1,643,878,647
1/1/2012	\$36,472,753	\$32,738,684	\$139,518,628	\$9,897,960	\$198,832,105	\$1,609,871,358
1/1/2011	\$31,603,736	\$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



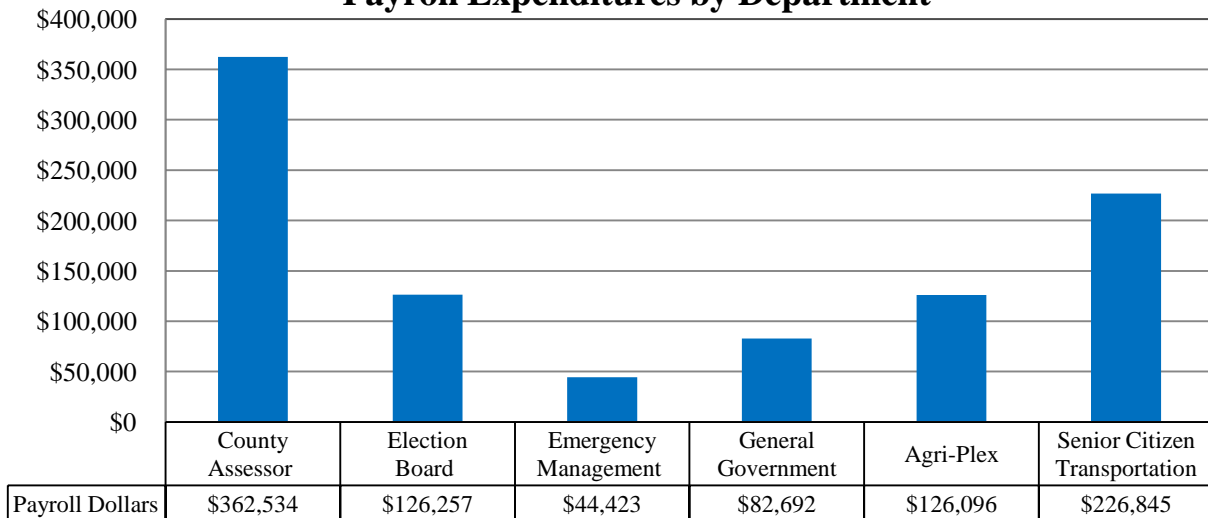
**PONTOTOC COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014.

Payroll Expenditures by Department



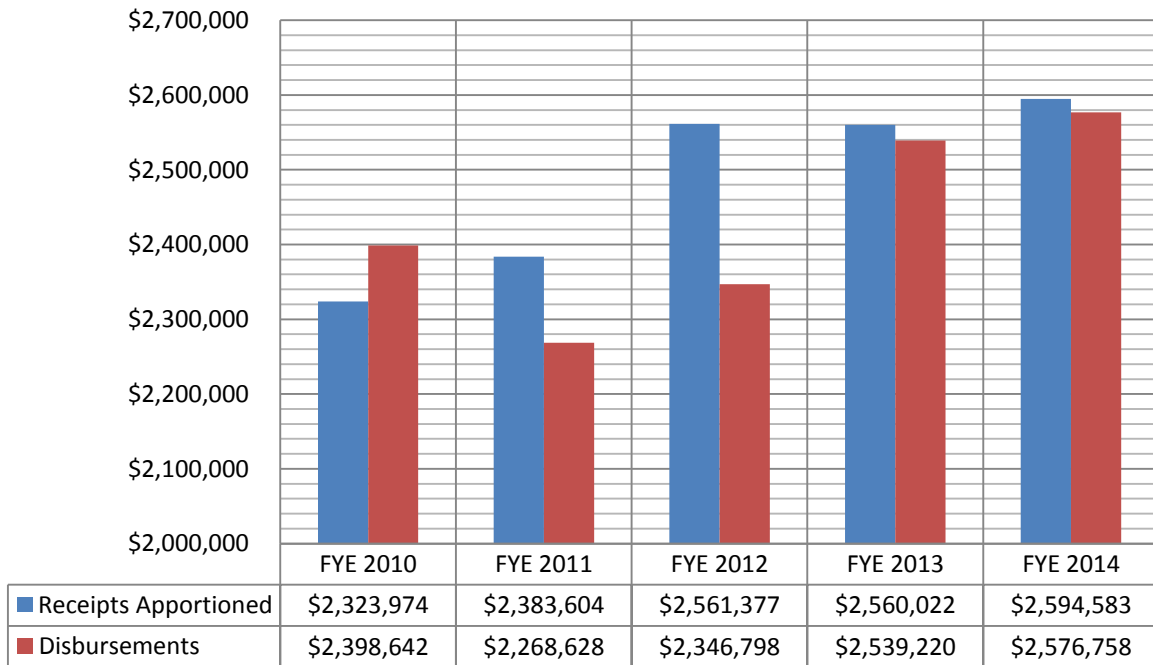
Payroll Expenditures by Department



**PONTOTOC COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

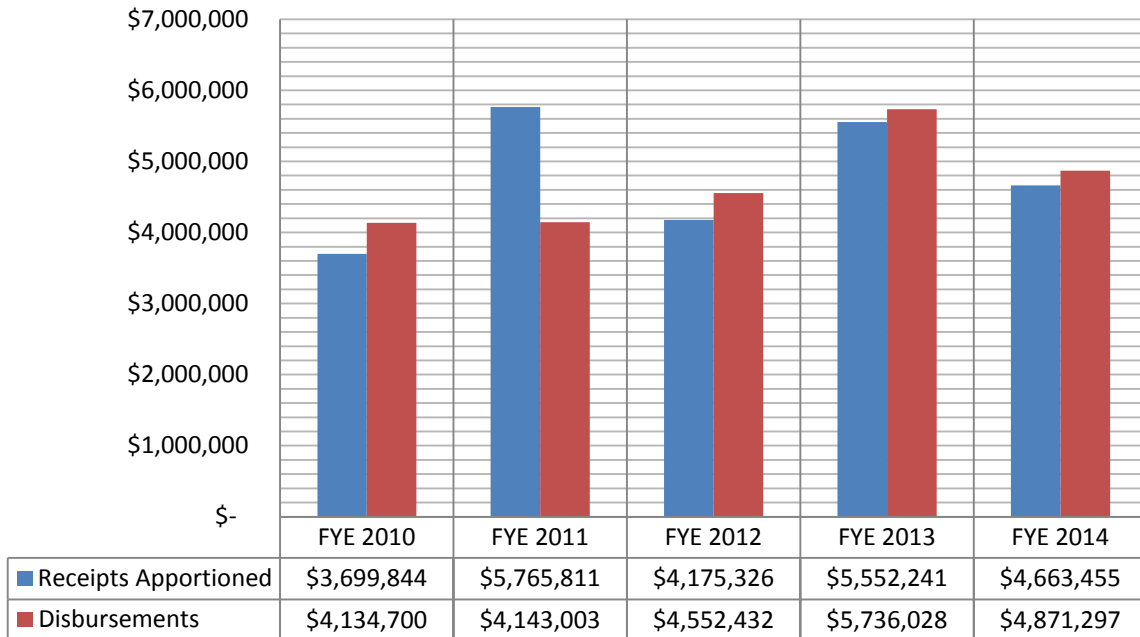
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2014**

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, 2014, 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, 2014, 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, 2014, 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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 1,166,024	\$ 2,594,583	\$ -	\$ -	\$ 2,576,758	\$ 1,183,849
T-Highway	2,965,763	4,663,455	450,808	130,000	4,871,297	3,078,729
County Health	685,870	607,863	-	-	609,605	684,128
Sheriff Fee Cash Account	916,944	1,622,301	-	-	1,080,383	1,458,862
ZSALESTAX-Sales Tax Cash Account	679,233	3,423,687	-	-	3,391,390	711,530
ZUSE-Use Tax	44,919	243,074	-	27,108	-	260,885
ZFIRETAX-Sales Tax Cash Account	77,271	933,193	-	-	111,595	898,869
Remaining Aggregate Funds	1,219,475	1,413,591	-	-	1,141,450	1,491,616
Combined Total - All County Funds	<u>\$ 7,755,499</u>	<u>\$ 15,501,747</u>	<u>\$ 450,808</u>	<u>\$ 157,108</u>	<u>\$ 13,782,478</u>	<u>\$ 9,768,468</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, 2014**

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 are 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.

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.

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 reimbursement to the Pontotoc County Public Facilities Authority.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 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.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; 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 11/16th of one cent sales tax effective April 1, 2007, the proceeds of which to be deposited to a sales tax depository account with the Pontotoc County Treasurer, pledged toward the retirement of indebtedness incurred therefore; payment of operation and maintenance expenses related thereto and to be designated and used specifically as follows: Acquisition of real property, constructing, equipping, operating and maintaining a new Pontotoc County Detention Facility and Courthouse Improvements. A portion of the sales tax, 9/16th 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, 1/8th of one cent, shall continue for operation and maintenance expenses of the County Detention Facility until repealed by a majority of electors of Pontotoc County. These funds are accounted for in the ZSALESTAX-Sales Tax Cash Account.

The voters of Pontotoc County approved a permanent 3/16th of one cent sales tax effective April 1, 2013. The proceeds of which are to be appropriated by the Board of County Commissioners for the purpose of providing funding for Call-A-Ride public transit, Pontotoc County owned nutrition centers, Pontotoc County Emergency Management, and the Fire Departments in the following communities: Allen, Byng, Fittstown, Fitzhugh, Francis, Happyland, Homer, Lula, Oil Center, Pickett, Roff, Stonewall, Union Valley, Vanoss, or others hereinafter established, so long as they

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

are certified and in good standing with the State of Oklahoma and Pontotoc County. The funding is for this 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 $\frac{3}{16}$ th of one cent sales tax is as follows: Ninety-two percent (92%) of the three sixteenths ($\frac{3}{16}$ th) 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.

- \$27,108 was transferred to the Pontotoc County Public Facilities Authority, a trust and agency fund, from the ZUSE-Use Tax fund for the remittance of use tax in accordance with contract requirements.
- \$450,808 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.
- \$130,000 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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,166,024	\$ 1,166,024	\$ -
Less: Prior Year Outstanding Warrants	(173,517)	(173,517)	-
Less: Prior Year Encumbrances	(46,801)	(34,412)	12,389
Beginning Cash Balances, Budgetary Basis	<u>945,706</u>	<u>958,095</u>	<u>12,389</u>
Receipts:			
Ad Valorem Taxes	1,888,432	2,074,051	185,619
Charges for Services	165,020	155,260	(9,760)
Intergovernmental Revenues	250,500	277,006	26,506
Miscellaneous Revenues	11,587	88,266	76,679
Total Receipts, Budgetary Basis	<u>2,315,539</u>	<u>2,594,583</u>	<u>279,044</u>
Expenditures:			
District Attorney	5,376	3,350	2,026
County Sheriff	848,000	814,162	33,838
County Treasurer	216,500	211,081	5,419
County Commissioners	101,100	99,261	1,839
County Commissioners OSU Extension	99,000	98,783	217
County Clerk	276,500	262,553	13,947
Court Clerk	168,000	165,652	2,348
County Assessor	219,000	207,278	11,722
Revaluation of Real Property	194,200	184,861	9,339
General Government	885,777	390,126	495,651
Excise-Equalization Board	9,100	9,043	57
County Election Board	140,386	135,944	4,442
Civil Defense - Emergency Management	46,137	44,960	1,177
County Audit Budget Account	40,169	537	39,632
Free Fair Budget Account	12,000	11,958	42
Total Expenditures, Budgetary Basis	<u>3,261,245</u>	<u>2,639,549</u>	<u>621,696</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	913,129	<u>\$ 913,129</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		207,227	
Add: Current Year Encumbrances		63,493	
Ending Cash Balance		<u>\$ 1,183,849</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, 2014**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 685,870	\$ 685,870	\$ -
Less: Prior Year Outstanding Warrants	(32,734)	(32,734)	-
Less: Prior Year Encumbrances	(41,615)	(14,663)	26,952
Beginning Cash Balances, Budgetary Basis	611,521	638,473	26,952
Receipts:			
Ad Valorem Taxes	472,108	518,513	46,405
Changes for Services	89,739	87,212	(2,527)
Intergovernmental Revenue	-	2,138	2,138
Total Receipts, Budgetary Basis	561,847	607,863	46,016
Expenditures:			
Health and Welfare	1,173,368	619,690	553,678
Total Expenditures, Budgetary Basis	1,173,368	619,690	553,678
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	626,646	\$ 626,646
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		15,327	
Add: Current Year Outstanding Warrants		42,155	
Ending Cash Balance		\$ 684,128	

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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:				
Resale Property	\$ 371,753	\$ 160,818	\$ 99,698	\$ 432,873
Visual Inspection	12,309	-	-	12,309
County Clerk Lien Fee	32,074	15,501	29,885	17,690
ZMTCERT-Mortgage Tax Certificate	29,910	7,430	12,998	24,342
Senior Citizens Transportation	88,638	352,348	338,862	102,124
Agri-Plex	63,913	145,007	165,178	43,742
Prevent Child Abuse	15	-	-	15
Transportation Health Care	7	-	-	7
County Assessor Revolving	69,731	3,719	5,050	68,400
ZCST-Community Sentencing Travel	1,762	-	-	1,762
Z-Preservation	139,041	39,811	51,208	127,644
Z-911	2,901	1,167	1,730	2,338
ZSALE-Proceeds of Sale	402	-	402	-
ZREAP	21,540	76,666	98,206	-
ZCOMM2-Sheriff Commissary	75,954	130,735	112,187	94,502
ZFLOOD-Floodplain Fee	1,462	400	-	1,862
ZHLAND-Homeland Security Grant	800	-	800	-
ZLODGE-County Lodging Tax	259,151	337,686	168,070	428,767
ZDARE-Sheriff DARE Account	3,044	-	-	3,044
ZCDBG-CDBG Grant	6,750	-	6,750	-
ZCHSEC-Courthouse Security	12,639	35,426	21,757	26,308
ZREWARD	200	200	-	400
ZEM-Emergency Management	10,412	39,384	24,222	25,574
ZDEQ-Department of Environmental Quality	3,343	1,000	1,120	3,223
ZHPG-Hazmat Planning Grant	6,867	-	430	6,437
ZFIREUSE-Use Tax	4,857	66,293	2,897	68,253
Combined Total - Remaining Aggregate Funds	\$ 1,219,475	\$ 1,413,591	\$ 1,141,450	\$ 1,491,616

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 state statute.

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 the 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.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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.

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 the 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.

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 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 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.

**PONTOTOC COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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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, 2014, 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, 2014, 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: 2014-1 and 2014-2.

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, 2014**

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 2014-1 – 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, 2014**

Finding 2014-2 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)

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

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 2014-4 – 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, 2014**

Cause of Condition: Policies and procedures have not been designed 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 2014-6 – 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.
- Inmate ledger balances are not reconciled to the bank statements.
- Deposits to the Inmate Trust Fund Checking Account are not made daily.
- Expenditures are made from the Inmate Trust Fund 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 15th, of each year.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 15th, 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 15th, 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 fund to make bond, in essence

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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."

Finding 2014-7 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory

Condition: While gaining an understanding of internal controls over fixed assets, we noted the following:

- The offices of Court Clerk, Agri-Plex, Emergency Management, Call-A-Ride, and Fire Departments have not designed policies and procedures to perform and document an annual physical inventory of all fixed assets.
- Policies and procedures have not been designed to ensure that county-owned assets are clearly marked with the county identification number and/or "Property of Pontotoc County," for the following offices: District 2, Agri-Plex, OSU Extension, Emergency Management, and the Election Board.
- All fire departments have not filed an annual inventory with the County Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

count, creating and maintaining of a fixed asset inventory record, and clearly identifying equipment as being county-owned.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions and misappropriation of assets.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with Title 19 O.S. § 178.1, 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 69 O.S. § 645.1 by maintaining inventory records and marking assets with county identification numbers and “Property of Pontotoc County.” OSAI additionally recommends that periodic fixed assets inventory verifications be conducted and documented with the initials and date of the employees conducting and reviewing the verification.

Management Response:

County Commissioner District 1: All fixed assets will be listed on inventory cards and filed in the Commissioners’ office. We will make sure all offices perform and document a physical audit of the inventory at least once a year. All fixed assets will be labeled with a county label or marked with a county number.

County Commissioner District 2: We are taking steps to clearly mark all fixed assets with a county identification number and perform a fixed assets verification.

County Commissioner District 3: (1) The offices noted will be held accountable as other county offices are in regards to physical inventory of assets. (2) County owned assets will be clearly marked. (3) All volunteer fire departments will file an annual inventory with the County Clerk prior to release of any county monies.

Agri-Plex: On my fixed assets that are interior, I will use labels with the inventory number on those assets. On all assets that are exterior, I will use some type of engraving device to identify those. In addition, I will do a full inventory annually.

Emergency Management: In order to correct the issue of procedures not specified to perform and document a physical inventory of fixed assets, this office will schedule the month of May each year to perform and document a physical inventory of assets. On the issue of fixed assets not being marked as county property, identification tags have already been ordered and upon receipt of said tags, they will be affixed to all equipment requiring them.

Call-A-Ride: We will be making tags and producing an inventory policy that will be used and filed every year with the Commissioner’s office. We are currently working on this and plan to have it done as soon as possible.

OSU Extension: The Pontotoc County OSU Extension Office will make tags with county inventory numbers and Property of Pontotoc County for all county purchased inventory effective July 15, 2015.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Election Board: The items are now marked and in the future, any new items will be marked as soon as they arrive at the office.

Court Clerk: I will be filing my annual physical inventory, which includes 10 desks, with the County Clerk's office. This will be filed yearly.

Criteria: 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 or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 2014-8 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories

Condition: Upon inquiry and observation of the recordkeeping processes regarding consumable inventories, the following was noted:

- District 1, 2, and 3 do not maintain fuel logs for portable auxiliary tanks and District 2 does not maintain fuel logs for their two satellite tanks.
- The actual fuel on hand, gasoline and diesel, at District 1, 2, and 3 did not agree to the balances on the fuel logs.

Cause of Condition: Policies and procedures have not been implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining, and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:

County Commissioner District 1: We will check weekly and total up at the end of the month and we will make sure they put gallons and tenths down, for over a long period of time several tenths add up if they fail to write them all down. If we are off in a month, we will note it and start off correct the next month so it will be noted for the next audit. We will make sure that if they put fuel in a tank on the pickup to haul to equipment that they put the number of the equipment and how many gallons it took to put in the equipment. That way it's logged as to who got it and what it went in. This will have an annual audit done to make sure the inventory is all correct.

**PONTOTOC COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Commissioner District 2: We will start a fuel log for our two satellite tanks. We will also reconcile the reading on the tanks weekly.

County Commissioner District 3: We will continue to improve our reporting of fuel while asking for good management advice from OSAI in regards to accurately documenting portable fuel tanks.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



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