

OPERATIONAL AUDIT

PONTOTOC COUNTY

For the fiscal year ended June 30, 2016



*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 OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Oklahoma State Auditor & Inspector

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

August 29, 2017

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

Transmitted herewith is the audit report of Pontotoc County for the fiscal year ended June 30, 2016.

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". The signature is written in a cursive, flowing style.

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

**PONTOTOC COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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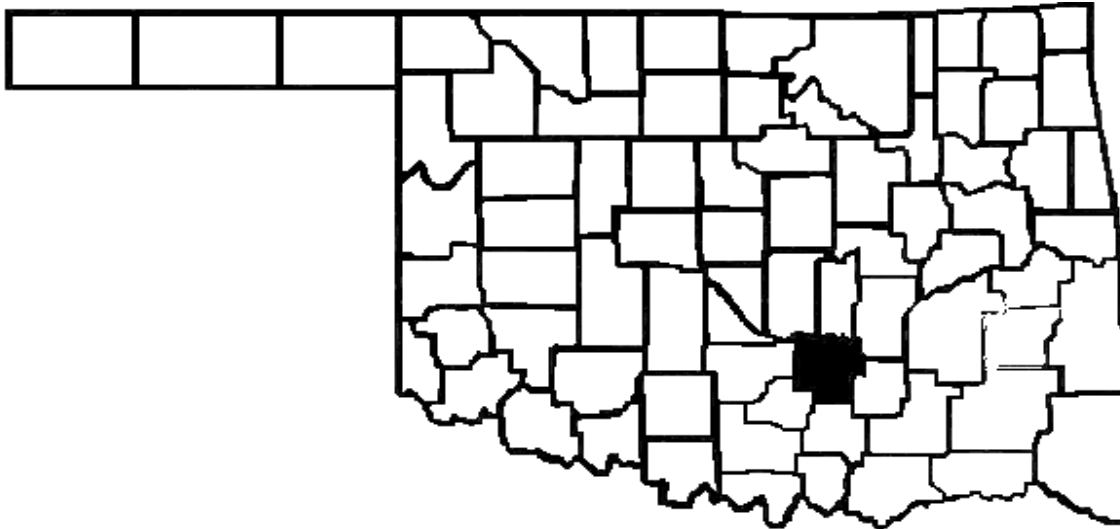
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**PONTOTOC COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



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 – 38,005
(2014 est.)

Farms – 1,313

Land in Farms – 324,584 Acres

Primary Source: Oklahoma Almanac 2015-2016

**PONTOTOC COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

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

County Assessor

Debbie Byrd

County Clerk

Tammy Brown

County Sheriff

John Christian

County Treasurer

Glenda Gonderman

Court Clerk

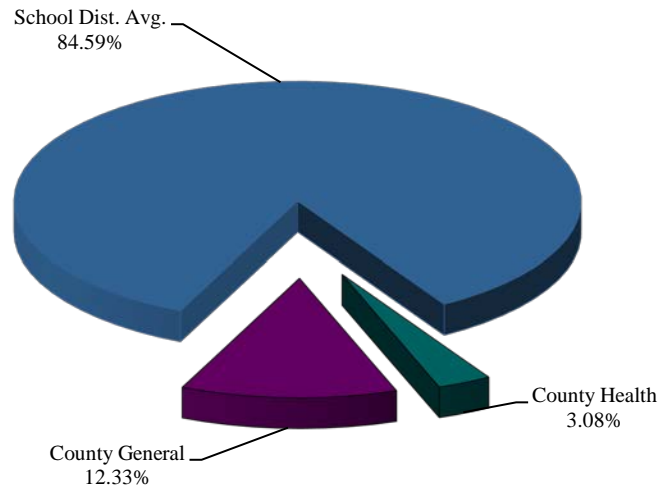
Karen Dunnigan

District Attorney

Chris Ross

**PONTOTOC COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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							
				Career					
				Gen.	Bldg.	Skg.	Tech.	Common	Total
County General	10.24								
County Health	2.56	Allen	I-1	35.99	5.14	6.50	12.24	4.10	63.97
		Vanoss	I-9	37.15	5.31	13.81	12.24	4.10	72.61
		Byng	I-16	35.61	5.09	7.62	12.24	4.10	64.66
		Ada	I-19	35.40	5.06	16.71	12.24	4.10	73.51
		Latta	I-24	36.04	5.15	19.57	12.24	4.10	77.10
<u>Cities and Towns</u>		Stonewall	I-30	36.85	5.26	7.09	12.24	4.10	65.54
Ada	1.32	Roff	I-37	36.93	5.27	5.13	12.24	4.10	63.67
		Asher	J-112	36.83	5.26	22.62	15.63	4.10	84.44
		Stratford	J-2	37.36	5.34	20.59	11.61	4.10	79.00
		Tupelo	J-2A	36.37	5.24	-	12.24	4.10	57.95

**PONTOTOC COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Sales Tax

Sales Tax of April 1, 2007

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 principal 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.

Sales Tax of April 1, 2013

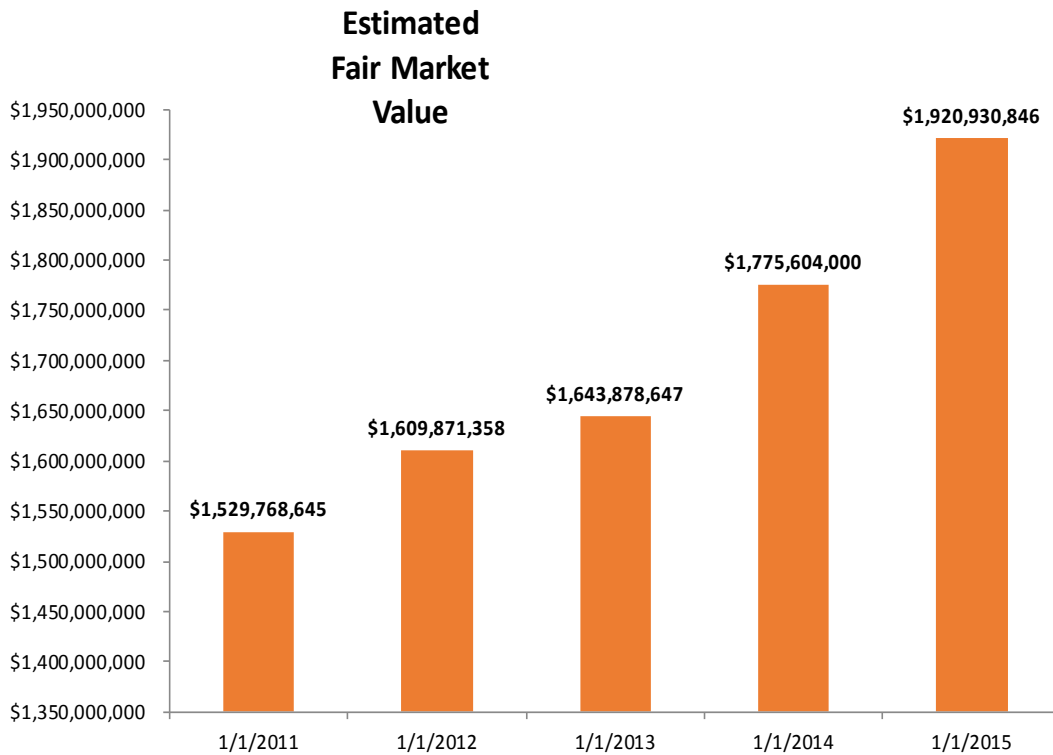
The voters of Pontotoc County approved a permanent 3/16th of one cent sales tax effective April 1, 2013. The proceeds of which are to be appropriated by the Board of County Commissioners for the purpose of providing funding for Call-A-Ride public transit, Pontotoc County owned nutrition centers, Pontotoc 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 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 3/16th of one cent sales tax is as follows: Ninety-two percent (92%) of the three sixteenths (3/16th) total revenue generated by the sales tax shall be divided equally between Call-A-Ride public transit, Pontotoc County owned nutrition centers, and the above-named Fire Departments, three percent (3%) shall be distributed to Pontotoc County Emergency Management, with five percent (5%) of said total revenue to be dispersed into the Pontotoc County General Fund for administrative fees. These funds are accounted for in the ZFIRETAX-Sales Tax Cash Account.

During the fiscal year the County collected the following in sales tax:

ZSALESTAX-Sales Tax Cash Account	\$3,331,235
ZFIRETAX-Sales Tax Cash Account	<u>908,518</u>
Total Sales Tax Collected	<u>\$4,239,753</u>

**PONTOTOC COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

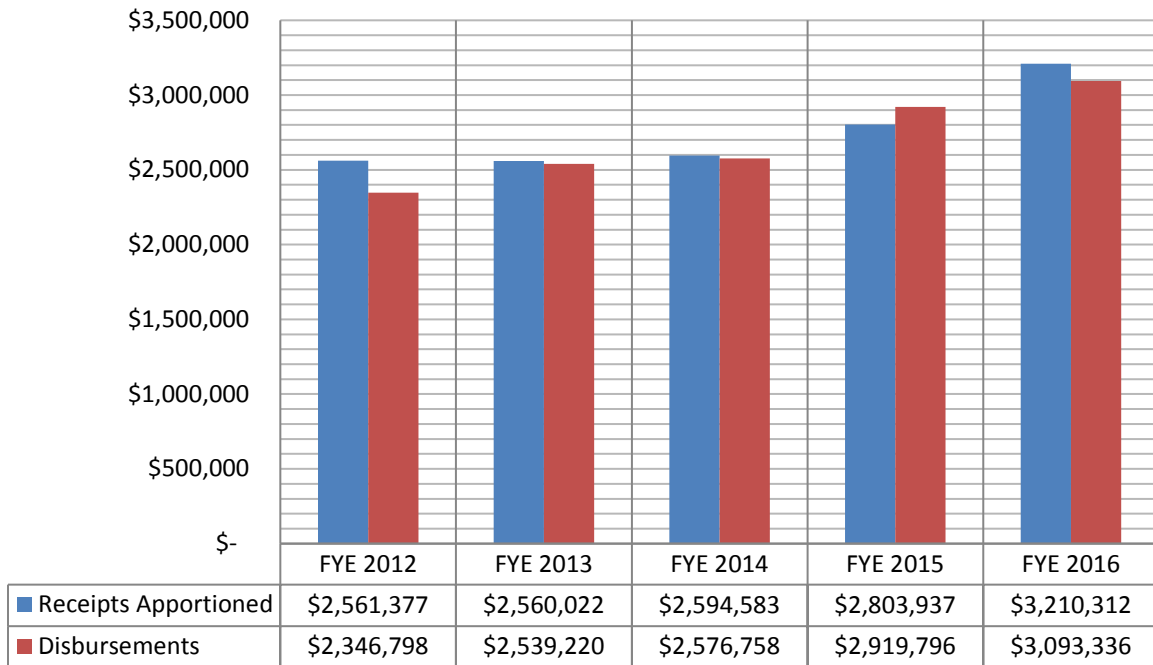
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$44,900,095	\$50,807,431	\$158,929,367	\$9,775,484	\$244,861,409	\$1,920,930,846
1/1/2014	\$38,750,675	\$44,990,237	\$150,694,547	\$9,797,610	\$224,637,849	\$1,775,604,000
1/1/2013	\$35,548,786	\$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



**PONTOTOC COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County General Fund

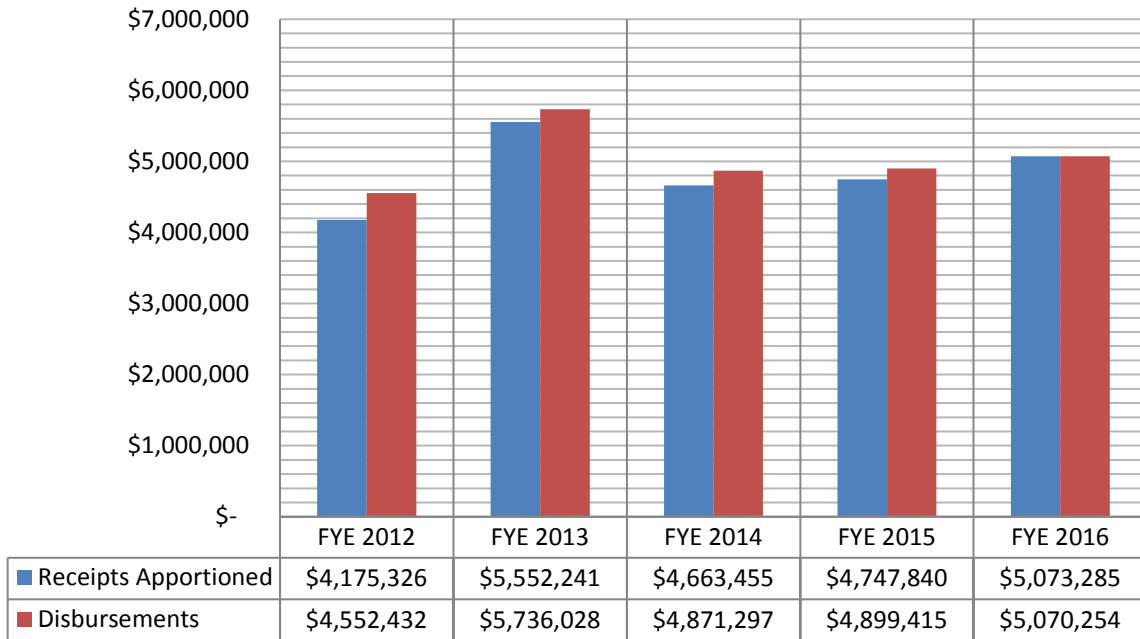
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2016**

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.



**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County Funds:						
County General Fund	\$ 1,067,990	\$ 3,210,312	\$ 350,000	\$ 350,000	\$ 3,093,336	\$ 1,184,966
T-Highway	3,036,346	5,073,285	140,000	370,000	5,070,254	2,809,377
Resale Property	466,426	177,913	-	-	127,148	517,191
County Health	822,710	711,108	-	-	595,486	938,332
Visual Inspection	10,884	-	-	-	3,875	7,009
County Clerk Lien Fee	15,984	14,113	-	-	19,974	10,123
Sheriff Fee Cash Account	1,094,608	720,259	-	-	917,076	897,791
ZMTCERT-Mortgage Tax Certificate	18,433	7,480	-	-	15,624	10,289
Senior Citizens Transportation	120,120	212,664	-	-	289,964	42,820
Agri-Plex	38,020	185,311	-	-	142,040	81,291
Prevent Child Abuse	15	-	-	-	-	15
Transportation Health Care	7	-	-	-	-	7
County Assessor Revolving	68,906	3,711	-	-	834	71,783
ZCST-Community Sentencing Travel	1,762	-	-	-	-	1,762
Z-Preservation	113,226	40,110	-	-	6,623	146,713
Z-911	2,263	778	-	-	-	3,041
ZCOMM2-Sheriff Commissary	104,225	105,590	-	-	105,998	103,817
ZFLOOD-Floodplain Fee	2,487	380	-	-	669	2,198
ZLODGE-County Lodging Tax	523,872	367,253	-	-	202,289	688,836
ZDARE-Sheriff DARE Account	3,044	-	-	-	-	3,044
ZSALESTAX-Sales Tax Cash Account	434,906	3,370,950	-	-	3,281,035	524,821
ZCHSEC-Courthouse Security	32,103	-	-	-	32,103	-
ZUSE-Use Tax	503,393	271,671	350,000	350,000	-	775,064
ZREWARD	500	98	-	-	-	598
ZEM-Emergency Management	27,336	22,500	-	-	27,719	22,117
ZDEQ-Department of Environmental Quality	4,223	1,000	-	-	-	5,223
ZHPG-Hazmat Planning Grant	6,265	-	-	-	-	6,265
ZREAP	-	35,688	-	-	11,178	24,510
ZFIRETAX-Sales Tax Cash Account	1,318,452	879,607	-	-	579,552	1,618,507
ZFIREUSE-Use Tax	134,392	74,092	-	-	112,700	95,784
ZJUV-Juvenile Drug Court	1,046	32,083	-	-	24,379	8,750
ZPERMIT-Permit Fees	3,325	850	-	-	-	4,175
Combined Total - All County Funds	\$ 9,977,269	\$ 15,518,806	\$ 840,000	\$ 1,070,000	\$ 14,659,856	\$ 10,606,219

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**PONTOTOC COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Description of County Funds

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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.

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.

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.

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.

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.

**PONTOTOC COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

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.

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 tourism.

ZDARE-Sheriff DARE Account – accounts for donations collected by the Sheriff's Department for expenses of the office for drug awareness and education.

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.

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

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

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.

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.

**PONTOTOC COUNTY
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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.

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

ZJUV-Juvenile Drug Court – accounts for monies received from the State of Oklahoma and disbursed for the Juvenile Drug Court.

ZPERMIT-Permit Fees – accounts for monies collected from utility companies for permits to place utility lines along county roads and disbursed for the repair of roads should damage occur.

Transfers

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

- \$350,000 was transferred from the ZUSE-Use Tax fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$350,000 was transferred from the County General Fund to the ZUSE-Use Tax fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$140,000 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 road and bridge projects in the County.
- \$370,000 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.

PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,067,990	\$ 1,067,990	\$ -
Less: Prior Year Outstanding Warrants	(272,636)	(272,636)	-
Less: Prior Year Encumbrances	(45,377)	(36,985)	8,392
Beginning Cash Balances, Budgetary Basis	<u>749,977</u>	<u>758,369</u>	<u>8,392</u>
Receipts:			
Ad Valorem Taxes	2,279,437	2,477,586	198,149
Charges for Services	142,900	169,149	26,249
Intergovernmental Revenues	289,925	341,945	52,020
Miscellaneous Revenues	111,121	221,632	110,511
Total Receipts, Budgetary Basis	<u>2,823,383</u>	<u>3,210,312</u>	<u>386,929</u>
Expenditures:			
District Attorney	3,500	3,110	390
County Sheriff	917,000	913,063	3,937
County Treasurer	274,998	224,910	50,088
County Commissioners	211,000	210,788	212
County Commissioners OSU Extension	112,600	111,824	776
County Clerk	340,697	315,412	25,285
Court Clerk	177,473	175,669	1,804
County Assessor	228,000	220,473	7,527
Revaluation of Real Property	233,155	225,104	8,051
General Government	823,325	434,024	389,301
Excise-Equalization Board	9,100	9,043	57
County Election Expense	151,926	147,230	4,696
Sheriff Jail	54,100	49,910	4,190
Emergency Management	24,486	1,366	23,120
County Audit Budget Account	12,000	11,692	308
Total Expenditures, Budgetary Basis	<u>3,573,360</u>	<u>3,053,618</u>	<u>519,742</u>

Continued on next page

Source: County Estimate of Needs (presented for informational purposes)

PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	915,063	\$ 915,063
Interfund Transfers:			
Interfund Transfer In		350,000	
Interfund Transfer Out		(350,000)	
Net Interfund Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		223,538	
Add: Current Year Encumbrances		46,365	
Ending Cash Balance		\$ 1,184,966	

Source: County Estimate of Needs (presented for informational purposes)

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, 2016

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 822,710	\$ 822,710	\$ -
Less: Prior Year Outstanding Warrants	(13,175)	(13,175)	-
Less: Prior Year Encumbrances	(14,305)	(6,311)	7,994
Beginning Cash Balances, Budgetary Basis	795,230	803,224	7,994
Receipts:			
Ad Valorem Taxes	569,859	621,494	51,635
Charges for Services	108,025	87,498	(20,527)
Miscellaneous Revenues	-	2,116	2,116
Total Receipts, Budgetary Basis	677,884	711,108	33,224
Expenditures:			
County Health Budget Account	1,473,114	629,893	843,221
Total Expenditures, Budgetary Basis	1,473,114	629,893	843,221
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	884,439	\$ 884,439
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		34,740	
Add: Current Year Outstanding Warrants		19,153	
Ending Cash Balance		\$ 938,332	

Source: County Estimate of Needs (presented for informational purposes)

**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2016. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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

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Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016.

Conclusion: With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

Objective 2: To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated

Objective 3: To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Conclusion: With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

Objective 4: To determine whether the County's internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

Conclusion: The County's internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

With respect to the items tested, the County's financial operations complied with 19 O.S. 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

FINDINGS AND RECOMMENDATIONS

Finding 2016-3 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, prepares OPERS reports and state and federal tax reports, and prints and distributes the payroll warrants.

Additionally, of the forty-two (42) payroll disbursements tested, four (4) timesheets were not signed by the employee and approved by the supervisor.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process. Additionally, policies and procedures have not been designed and implemented to ensure timesheets are signed by the employee and approved by the supervisor.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, inaccurate records, incomplete information, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions. Additionally, all timesheets should be signed by the employee and approved by the official or immediate supervisor.

Management Response:

County Clerk: At this time, our office is attempting to implement the controls brought to our attention. Lack of personnel is a factor which limits our ability to review and catch all errors; however, in the future we will work towards correcting this matter.

County Commissioner District 3: This issue will be discussed at the next quarterly meeting, whereas supervisors and personnel will be notified to give more attention to the process and pursue additional controls.

County Sheriff: The Pontotoc County Sheriff prior to this audit implemented controls to mitigate the risk involved with a concentration of duties. The timesheets are prepared by the employees in accordance with the employees’ hours worked, days used for vacation, days missed due to sickness, along with other allowed reasons for days missed during the designated time period. The timesheet is signed and dated by the

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employee to attest to the timesheets accuracy. The timesheet is then reviewed by a supervisor to check for accuracy. Upon determination of the timesheets accuracy the supervisor signs and dates the time sheet.

The Pontotoc County Sheriff's Office has several steps in place to assure the accuracy of all timesheets.

1. A schedule of work duties are prepared for staff preceding each month worked.
2. A request for leave is required for any days missed during the scheduled work time.
3. Each month employees are required to prepare a time sheet in accordance with the time the employee has worked and days missed during the scheduled month.
4. The employee signs and dates the time sheet.
5. All time sheets are submitted to a supervisor to be checked for accuracy.
6. The timesheet, if accurate, is signed and dated by a supervisor.

Corrective Action:

- Supervisors will verify all timesheets are signed and dated by both the employee and the supervisor.

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 and supporting documentation such as timesheets should be signed and approved by the appropriate personnel.

Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's disbursement process, we noted that the Purchasing Agent prepares purchase orders, encumbers purchase orders, reviews purchase orders for accuracy, and distributes warrants.

Of the forty (40) purchase orders tested, the following exceptions were noted:

- One (1) purchase order was not timely encumbered.
- One (1) purchase order was not supported by adequate documentation (receiving report).
- One purchase order was approved for an amount that did not agree to the invoice.

Additionally, of the nine (9) cash vouchers tested, the following exception was noted:

- One (1) claim was not signed by the claimant.

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

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

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Recommendation: OSAI recommends the following regarding the purchasing process:

- Accounting functions of the purchasing process should be adequately segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.
- The County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered, encumbrances should be certified by the County Clerk or Deputy. Adequate supporting documentation should be attached to the purchase order and reviewed to ensure accuracy. Cash voucher claims should be reviewed and authorized by the County Clerk.

Management Response:

Chairman of the Board of County Commissioners: We will inform all elected officials about the importance of timely encumbering funds.

County Clerk: Our office has already begun the process of implementing controls to address the issues of encumbering and auditing purchase orders and distributing warrants. In the future, the cash voucher claims will be reviewed for signatures of claimant and County Clerk. Our office will strive to enforce and follow proper purchasing procedures.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of preparing, encumbering, and reviewing purchase orders should be segregated.

Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS



Oklahoma State Auditor & Inspector

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Pontotoc County
Board of County Commissioners
Pontotoc County Courthouse
Ada, Oklahoma 74820

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2016:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Pontotoc County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

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

August 28, 2017

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-5 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following weaknesses were noted:

- County Commissioner Districts 1, 2, and 3 do not maintain documentation of their periodic review of consumable inventory items.
- District 2 uses two portable diesel tanks. Fuel dispensed from these tanks is not monitored or reconciled, and there is no record of what piece of equipment was filled via portable tank.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with the state statutes regarding consumable inventories to provide for accurate consumable inventory records.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), and 19 O.S. § 1504 by maintaining consumable inventory records. OSAI also recommends that each District perform and document a periodic inventory of consumable inventory.

Management Response:

County Commissioner District 1: We will start, every other month, documenting and signing when we check the consumable inventory list.

County Commissioner District 2: We will perform and document an inventory of consumables items on a quarterly basis. We will also put a notebook in the unit for the portable tank to report number of gallons and what equipment it went in.

County Commissioner District 3: Currently periodic reviews are conducted quarterly, but without documentation. In the future, documentation of said reviews will be maintained.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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.

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Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored and consumed by the department.

Finding 2016-6 - Inadequate Segregation of Duties Over the Court Clerk Collection Process (Repeat Finding)

Condition: Upon inquiry and observation we noted the following weaknesses with regard to internal controls related to the Court Clerk's collection process:

- One employee has the ability to issue receipts, reconcile daily reports, prepare deposits, and take deposits to the County Treasurer.

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

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

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

Management Response:

Court Clerk: Our office has already begun the process of correcting these issues. The duties to issue receipts, reconcile daily reports, prepare deposits and take deposit to the County Treasurer will be segregated.

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.

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Finding 2016-7 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account reflected the following:

- One employee performs all of the daily activity in the inmate trust account such as collecting the monies from the commissary kiosk and safe, prepares deposit slips, takes deposits to the bank, and posts deposits to inmate accounts.
- Inmate ledger balances are not reconciled to the bank statements.
- Disbursements were made from the Inmate Trust Fund Checking Account for purposes other than allowed by state statute.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible 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.
- 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.

Management Response:

County Sheriff:

- The Pontotoc County Sheriff took steps prior to this audit to implement new controls providing for an independent review by additional person(s) of all monies handled. Protocols were implemented to provide a review by additional person(s) of all monies received from both the commissary kiosk and the inmate funds from the safe. The additional person(s) review the count, verify the accuracy of the count, and seals the money in the deposit envelopes. The monies are deposited daily with the bank, by a person designated to make deposits, and the deposit slip brought back for approval by the reviewer. The reviewer will be other person(s) than the person making the deposit. The reviewer will attest to accuracy of the deposit by placing the date, time and signature on the document. A review process has been in practice for some time for the handling of monies at the Pontotoc County Justice Center. The person designated to conduct the review has failed to sign and date all instruments to verify the review of the funds. The reviewer is now required to sign or initial, with a date and time, to document the performance of the review for accuracy of all funds. In addition

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to the above measures, all monies handled inside the Pontotoc County Justice Center are recorded by video.

- A monthly reconciliation of the Inmate Trust Fund Checking Account is currently conducted by personnel. Personnel in charge of conducting the reconciliation will make sure the reconciliation process is conducted in its entirety each month. The Inmate Trust Fund Checking Account reconciliation will be performed and checked for accuracy. Other personnel will review the reconciliation and attest to the review by signing and dating the reconciliation.
- The staff of the Pontotoc County Justice Center allows inmates to use the Inmate's Trust Fund to make bond for themselves when no other source can 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 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 the Title 19 O.S. § 531. Title 19 O.S. § 531 Section B of the statute does allow for other uses. I believe a review of the statute is needed with recommended changes being presented to the Oklahoma State Legislature for implementation into the Statute. In the future, staff responsible for the inmate trust fund will obtain a court minute from a judge authorizing the use of the inmate trust fund for this purpose of bond before proceeding with use of the Inmate Trust Fund for bonding purposes.

Auditor Response: Oklahoma state statute Title 19 O.S. § 531A defines allowable expenditures of the Inmate Trust Fund Checking Account.

Criteria: Accountability and stewardship are overall 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.

Title 19 O.S. § 531A. states, "Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account", to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. 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."



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