



PONTOTOC COUNTY

Operational Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**PONTOTOC COUNTY OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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June 25, 2019

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

Transmitted herewith is the audit report of Pontotoc County for the fiscal year ended June 30, 2017.

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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**PONTOTOC COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**PONTOTOC COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

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

County Assessor

Debbie Byrd

County Clerk

Tammy Brown

County Sheriff

John Christian

County Treasurer

Paula Hall

Court Clerk

Karen Dunnigan

District Attorney

Paul Smith

**PONTOTOC COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sales Tax

Sales Tax of April 1, 2007

The voters of Pontotoc County approved an eleven-sixteenth (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, nine-sixteenth (9/16th) of 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, one-eighth (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 fund.

Sales Tax of April 1, 2013

The voters of Pontotoc County approved a permanent three-sixteenth (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 the purchase of equipment and supplies, general operation and maintenance, communications, training, construction of new buildings or improvements made to existing buildings, emergency services, and fire protection. The distribution of the three-sixteenth (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 fund and the County General Fund.

During the fiscal year the County collected \$4,047,911 in total sales tax.

**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2017

| | Beginning Cash Balances July 1, 2016 | Receipts Apportioned | Transfers In | Transfers Out | Disbursements | Ending Cash Balances June 30, 2017 |
|--|--|-------------------------|-------------------|-------------------|----------------------|--|
| Combining Information: | | | | | | |
| County Funds: | | | | | | |
| County General Fund | \$ 1,184,966 | \$ 3,199,261 | \$ 350,000 | \$ 350,000 | \$ 3,229,048 | \$ 1,155,179 |
| T-Highway | 2,809,377 | 3,905,257 | - | 140,000 | 4,501,536 | 2,073,098 |
| Resale Property | 517,191 | 178,884 | - | 26,697 | 149,442 | 519,936 |
| County Health | 938,332 | 937,769 | - | - | 751,156 | 1,124,945 |
| Visual Inspection | 7,009 | - | - | - | - | 7,009 |
| County Clerk Lien Fee | 10,123 | 11,717 | - | - | 12,835 | 9,005 |
| Sheriff Fee Cash Account | 897,791 | 811,814 | - | - | 773,456 | 936,149 |
| ZMTCERT-Mortgage Tax Certificate | 10,289 | 7,125 | - | - | 332 | 17,082 |
| Senior Citizens Transportation | 42,820 | 204,350 | 20,000 | 20,000 | 208,871 | 38,299 |
| Agri-Plex | 81,291 | 165,395 | - | - | 157,801 | 88,885 |
| Prevent Child Abuse | 15 | - | - | - | - | 15 |
| Transportation Health Care | 7 | - | - | - | - | 7 |
| County Assessor Revolving | 71,783 | 3,181 | - | - | 10,586 | 64,378 |
| ZCST-Community Sentencing Travel | 1,762 | - | - | - | - | 1,762 |
| Z-Preservation | 146,713 | 39,015 | 20,000 | 20,000 | 29,156 | 156,572 |
| Z-911 | 3,041 | 627 | - | - | 2,010 | 1,658 |
| ZREAP | 24,510 | 51,598 | - | - | 76,108 | - |
| ZCOMM2-Sheriff Commissary | 103,817 | 161,130 | - | - | 126,149 | 138,798 |
| ZFLOOD-Floodplain Fee | 2,198 | 395 | - | - | 216 | 2,377 |
| ZLODGE-County Lodging Tax | 688,836 | 351,889 | - | - | 382,839 | 657,886 |
| ZDARE-Sheriff DARE Account | 3,044 | - | - | - | - | 3,044 |
| ZSALESTAX-Sales Tax Cash Account | 524,821 | 3,218,957 | - | - | 3,220,775 | 523,003 |
| ZUSE-Use Tax | 775,064 | 261,511 | 350,000 | 350,000 | 46,506 | 990,069 |
| ZREWARD | 598 | 256 | - | - | - | 854 |
| ZEM-Emergency Management | 22,117 | 29,900 | - | - | 22,207 | 29,810 |
| ZDEQ-Department of Environmental Quality | 5,223 | - | - | - | 317 | 4,906 |
| ZHPG-Hazmat Planning Grant | 6,265 | - | - | - | - | 6,265 |
| ZFIRETAX-Sales Tax Cash Account | 1,618,507 | 834,002 | - | - | 698,000 | 1,754,509 |
| ZFIREUSE-Use Tax | 95,784 | 71,321 | - | - | 79,559 | 87,546 |
| ZPERMIT-Permit Fees | 4,175 | 1,025 | - | - | - | 5,200 |
| ZJUV - Juvenile Drug Court | 8,750 | 39,076 | - | - | 8,750 | 39,076 |
| ZCDBG | - | 70,596 | - | - | 21,344 | 49,252 |
| Combined Total - All County Funds | \$ 10,606,219 | \$ 14,556,051 | \$ 740,000 | \$ 906,697 | \$ 14,508,999 | \$ 10,486,574 |

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, 2017**

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, 2017**

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.

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.

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 ballot.

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, 2017

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

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

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

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 damages occur.

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

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

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.
- \$20,000 was transferred from the Z-Preservation fund to the Senior Citizens Transportation fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$20,000 was transferred from the Senior Citizens Transportation fund to the Z-Preservation fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$140,000 was transferred from the T-Highway fund to the Emergency and Transportation Revolving (ETR) fund, a trust and agency fund, for the repayment of loan.
- \$26,697 was transferred from the Resale Property fund to the Excess Resale fund, a trust and agency fund, to correct an error made in the previous year.

PONTOTOC COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | General Fund | | |
|--|--------------|--------------|----------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 1,184,966 | \$ 1,184,966 | \$ - |
| Less: Prior Year Outstanding Warrants | (223,538) | (223,538) | - |
| Less: Prior Year Encumbrances | (46,365) | (31,754) | 14,611 |
| Beginning Cash Balances, Budgetary Basis | 915,063 | 929,674 | 14,611 |
| Receipts: | | | |
| Ad Valorem Taxes | 2,371,583 | 2,574,301 | 202,718 |
| Charges for Services | 148,695 | 160,316 | 11,621 |
| Intergovernmental Revenues | 301,400 | 330,214 | 28,814 |
| Sales Tax | 42,270 | 43,895 | 1,625 |
| Miscellaneous Revenues | 11,747 | 90,535 | 78,788 |
| Total Receipts, Budgetary Basis | 2,875,695 | 3,199,261 | 323,566 |
| Expenditures: | | | |
| District Attorney - County | 3,144 | 3,047 | 97 |
| County Sheriff | 932,000 | 927,825 | 4,175 |
| County Treasurer | 290,581 | 243,860 | 46,721 |
| County Commissioners | 213,000 | 211,994 | 1,006 |
| County Commissioners OSU Extension | 115,000 | 110,290 | 4,710 |
| County Clerk | 337,223 | 322,107 | 15,116 |
| Court Clerk | 182,000 | 178,779 | 3,221 |
| County Assessor | 230,600 | 224,776 | 5,824 |
| Revaluation of Real Property | 233,600 | 226,522 | 7,078 |
| General Government | 975,001 | 583,441 | 391,560 |
| Excise-Equalization Board | 10,100 | 9,717 | 383 |
| County Election Expense | 151,547 | 148,501 | 3,046 |
| Emergency Management | 55,000 | 51,512 | 3,488 |
| County Audit Budget Account | 49,962 | 49,962 | - |
| Free Fair Budget Account | 12,000 | 11,937 | 63 |
| Total Expenditures, Budgetary Basis | 3,790,758 | 3,304,270 | 486,488 |

Continued on next page

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 GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | General Fund | | |
|---|---------------|---------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Continued from previous page | | | |
| Excess of Receipts and Beginning Cash | | | |
| Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | 824,665 | <u>\$ 824,665</u> |
| Interfund Transfers: | | | |
| Interfund Transfer In | | 350,000 | |
| Interfund Transfer Out | | <u>(350,000)</u> | |
| Net Interfund Transfers | | - | |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Outstanding Warrants | | 226,879 | |
| Add: Current Year Encumbrances | | <u>103,635</u> | |
| Ending Cash Balance | | <u>\$ 1,155,179</u> | |

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, 2017

| | County Health Department Fund | | |
|---|-------------------------------|--------------|--------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 938,332 | \$ 938,332 | \$ - |
| Less: Prior Year Outstanding Warrants | (19,153) | (19,153) | - |
| Less: Prior Year Encumbrances | (34,740) | (28,596) | 6,144 |
| Beginning Cash Balances, Budgetary Basis | 884,439 | 890,583 | 6,144 |
| Receipts: | | | |
| Ad Valorem Taxes | 592,896 | 643,946 | 51,050 |
| Charges for Services | 273,906 | 291,608 | 17,702 |
| Intergovernmental Revenues | - | 2,215 | 2,215 |
| Total Receipts, Budgetary Basis | 866,802 | 937,769 | 70,967 |
| Expenditures: | | | |
| County Health Budget Account | 1,751,241 | 757,108 | 994,133 |
| Total Expenditures, Budgetary Basis | 1,751,241 | 757,108 | 994,133 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | 1,071,244 | \$ 1,071,244 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Encumbrances | | 22,354 | |
| Add: Current Year Outstanding Warrants | | 31,347 | |
| Ending Cash Balance | | \$ 1,124,945 | |

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

**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PURPOSE, SCOPE, AND GENERAL 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, 2017.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random sample methodology was 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.

**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2017.

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 1 Methodology: To accomplish objective 1, we performed the following:

- Evaluated significant internal controls related to preparing the Treasurer's Monthly Reports, which included:
 - Reviewing a random sample of three (3) Treasurer's monthly reports (25% of months in the population tested) to ensure the monthly reports were signed and approved by someone other than the preparer, reconciled to the general ledger, and reconciled to the bank statement.
 - Reviewing a random sample of five (5) bank statements and related bank reconciliations (13.33% of the total bank statements in the population tested) to ensure bank reconciliations were signed and approved by someone other than the preparer and correctly reconciled to the bank statement.
- Reconciled total collections from the monthly reports to the apportionments ledger for each month and to the annual summary of the Treasurer's reports.
- Confirmed \$11,801,474 in cash receipts (81% of total cash receipts) received from the Oklahoma Tax Commission, Federal grantor agencies, and the State Treasurer's Office, and determined that these receipts were apportioned to the proper fund in the proper amount.
- Prepared a general ledger schedule of cash and investments at June 30 to ensure the schedule reconciled to the annual summary of the Treasurer's reports.
- Confirmed all cash and investment balances.
- Re-performed the June 30 bank reconciliation and confirmed reconciling items.
- Reviewed bank balances of all accounts at June 30 on the Treasurer's general ledger to ensure that investments were adequately secured as required by 62 O.S. § 517.4.
- Examined the Treasurer's total cash disbursements and compared it to the County Clerk's total checks and cash vouchers issued to ensure the totals reconciled.

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.

**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Objective 2 Methodology: To accomplish objective 2, we performed the following:

- Evaluated significant internal controls related to sales tax, which included:
 - Reviewing sales tax collections to ensure the collection was apportioned and appropriated in accordance with the sales tax ballot and that the apportionment and appropriation were reviewed and approved.
 - Reviewing a random sample of sales tax disbursements totaling \$42,480 (0.87% of sales tax disbursements in the population tested) to ensure the expenditure was approved and made for the purposes designated in the sales tax ballot.
- Confirmed all sales tax receipts received from the Oklahoma Tax Commission.

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 3 Methodology: To accomplish objective 3, we performed the following:

- Evaluated significant internal controls related to ad valorem tax collections, which included comparing the certified levies to the approved levies entered into the computer system to ensure levies were entered correctly.
- Recalculated the apportionment of ad valorem tax collections to determine collections were accurately apportioned to the taxing entities.

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.

Objective 4 Methodology: To accomplish objective 4, we performed the following:

- Evaluated significant internal controls related to the expending of County funds through purchase orders, which included reviewing a random sample of purchase orders totaling \$74,669 (0.77% of purchase orders in the population tested) to ensure:

**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- The purchase order was requisitioned and signed by an approved Requisition County Official,
 - The encumbrance was made or funds were available prior to ordering goods or services and the encumbrance was approved by the County Clerk/Deputy,
 - The disbursement was reviewed and authorized and supported by adequate documentation, and
 - The BOCC reviewed and approved the disbursement and the disbursement was made for the appropriate amount.
- Evaluated significant internal controls related to the expending of County funds through cash vouchers, which included reviewing a random sample of cash vouchers totaling \$8,594 (5.75% of cash vouchers in the population tested) to ensure:
 - The disbursement was reviewed and authorized,
 - The claimant signed the cash voucher claim,
 - The disbursement was made for the appropriate amount, and
 - The disbursement was supported by adequate documentation.
- Evaluated significant internal controls related to payroll expenditures, which included reviewing a random sample of thirteen (13) payroll claims (5% of payroll claims in the population tested) to ensure:
 - Timesheets are accurate and are signed by the employee and supervisor OR the sample unit is a county official and is, by law, not required to prepare a timesheet,
 - The payroll claim was reviewed and approved, and
 - The payroll claim was supported by adequate documentation.

| |
|-------------------------------------|
| FINDINGS AND RECOMMENDATIONS |
|-------------------------------------|

Finding 2017-001 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of the County’s payroll disbursement process, it was noted that the County Clerk has segregated the duties of processing payroll by alternating the duties between two employees; however, upon review of payroll documents, there was no evidence to show which employee performed which duty such as enrolling new hires, making payroll changes, and printing and distributing payroll warrants.

Cause of Condition: Policies and procedures have not been implemented to document segregation of duties and/or compensating controls over the payroll process.

Effect of Condition: This condition 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 the duties over the payroll disbursement process be evidenced with signature and date of the employee performing the duty to ensure key processes and/or critical functions are adequately segregated and do not overlap.

**PONTOTOC COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

County Clerk: We have properly segregated duties and are now documenting this process.

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.

REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS

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, 2017:

- 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 18, 2019



**PONTOTOC COUNTY, OKLAHOMA
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-002 – Inadequate Segregation of Duties Over the Court Clerk Receipting and Disbursement Processes (Repeat Finding)

Condition: Upon inquiry and observation we noted the following weaknesses regarding internal controls related to the Court Clerk's receipting process and the disbursement processes over the Court Fund.

Receipting Process:

- One employee has the ability to issue receipts, reconcile daily reports, prepare deposits, and take deposits to the County Treasurer.
- All employees have the ability to void receipts with no independent review/approval.

Disbursement Process (Court Fund):

- One employee prepares claims, issues vouchers, signs vouchers, has custody of vouchers, and prepares vouchers for mail.

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

Effect of Condition: These conditions 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: We will attempt to segregate duties over the receipting, voiding, and Court Fund disbursement processes. All duties implemented will be properly documented with initials and dates.

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 2017-003 – Inadequate Internal Controls Over Reconciliation of the Court Clerk Revolving Fund

Condition: The Court Clerk is not properly reconciling the Court Clerk Revolving Fund to the County Treasurer's records. While reviewing the Court Clerk's reconciliations on the quarterly reports, it was noted that there is a line item called "Other Reconciling Items" for each quarter. The amounts listed as "Other Reconciling Items" are as follows:

- 1st Quarter \$13,786.
- 2nd Quarter \$10,281.
- 3rd Quarter \$12,453.
- 4th Quarter \$10,153.

The Court Clerk stated that she cannot identify what these reconciling items are. It appears these numbers were inserted as reconciling items to make the Court Clerk's balance agree to the County Treasurer's balance.

Additionally, it was noted that the beginning balance recorded on the first quarter of FY2017 is incorrect.

Cause of Condition: Management has not designed and implemented policies and procedures to ensure the Court Clerk Revolving Fund balances are properly reconciled to the County Treasurer's general ledger balances.

Effect of Condition: This condition resulted in inaccurate reports.

Recommendation: OSAI recommends all reconciling items be investigated and identified by the Court Clerk in order to properly reconcile the Court Clerk Revolving Fund to the County Treasurer's records.

Management Response:

Court Clerk: We will research the variances with the County Treasurer and will reconcile the Revolving Fund with all variances documented and supported.

Criteria: Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not properly prepared, are deficiencies in internal control.

Finding 2017-004 – Negative Case Balances – Court Clerk

Condition: Upon inquiry and observation the following was noted regarding the Case Balance Reconciliation Report/Schedule of Cases (form 1722C):

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- At June 30, 2017, there were fifty-two (52) negative case balances ranging from a negative \$0.50 to a negative \$993.72 and totaling (\$4,285.69).

In addition, the totals by case type on the Case Balance Reconciliation Report/Schedule of Cases (form 1722C) does not agree to the Cash Balance Summary Report (form 1741C) at June 30, 2017. A \$500 variance in the criminal misdemeanor (CM) cases was noted.

Cause of Condition: Procedures have not been designed and implemented to ensure negative case balances and variances are investigated and corrected in a timely manner.

Effect of Condition: These conditions could result in inaccurate reports, incomplete records or misappropriation of funds.

Recommendation: OSAI recommends all negative balances and variances be investigated, identified, and corrected by the Court Clerk.

Management Response:

Court Clerk: We will investigate and correct any negative balances and the \$500 variance between the 1722C and 1741C in the CM cases.

Criteria: Accountability and stewardship are over all goals of management in the accounting of funds. To help ensure a proper accounting of funds, case balances should be monitored to ensure accuracy and any errors should be corrected in a timely manner.

Finding 2017-005 – 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 the daily activity in the inmate trust account such as collecting the monies from the commissary kiosk and safe, preparing deposit slips, taking deposits to the bank, and posting deposits to inmate accounts. The County Sheriff has implemented compensating controls in the form of a review of key duties by a second employee; however, during the audit period there was no consistent evidence of this control, such as initials and dates from both the preparer and reviewer on reports, reconciliations, and deposits.
- 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.
 - Of the review of forty-eight (48) checks paid in June 2017, the following exceptions were noted:
 - Five (5) were issued to the City of Ada.
 - Two (2) were issued to the Court Clerk.
 - Six (6) were issued to individuals other than the inmate.

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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:

- I have provided staff with additional instructions to always conduct reviews, date, and sign all documentation by at least one staff member other than the collector and preparer of reports, deposits, and other postings of monies involving the inmate trust accounts. The accounts will be reviewed by additional person each and every time even if someone from detention staff is needed to be called in to conduct the review.
- 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.
- I have instructed staff that no Inmate Trust Fund monies shall be used other than statutorily allowed uses. Even though I still believe not allowing an inmate to use their Inmate Trust Fund monies to make bond is a violation of the inmate's civil rights guaranteed by the United States Constitution. I have instructed my staff to discontinue the use of Inmate Trust Fund monies to make an inmate's own bond.

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

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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."



Cindy Byrd, CPA | State Auditor & Inspector

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