

COUNTY AUDIT

PUSHMATAHA COUNTY

For the fiscal year ended June 30, 2012

A photograph of the Oklahoma State Capitol dome, showing its classical architecture with columns and a statue on top, set against a blue sky with white clouds.

*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

**PUSHMATAHA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

October 17, 2014

TO THE CITIZENS OF
PUSHMATAHA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Pushmataha County, Oklahoma for the fiscal year ended June 30, 2012. 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, reading "Gary A. Jones".

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

**PUSHMATAHA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**PUSHMATAHA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

INTERNAL CONTROL AND COMPLIANCE SECTION

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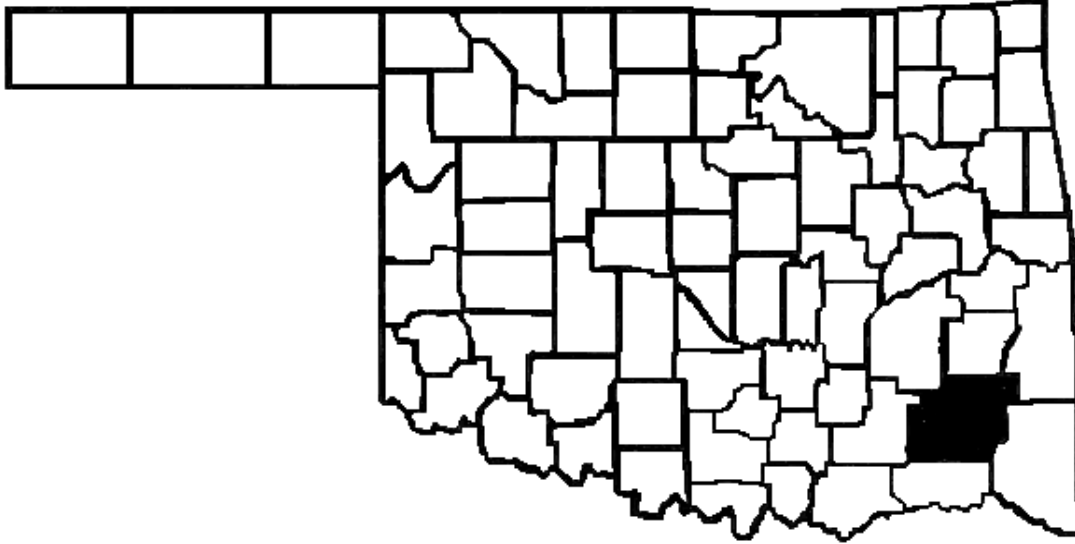
ITEMS OF INTEREST

Finding 2012-19 – Bids Were Not Solicited for County Expenditures Related to Dozer Services in the Amount of \$46,450 (27 Month Period) – County Commissioner District 2: A local contractor was hired to use a dozer to dig shale for the County. County Commissioner District 2 failed to solicit bids for this work as required by state statutes. Further, the work was done on private property without the approval of the Board of County Commissioners or a contract/land owner agreement on file. **(Pg.24)**

Finding 2012-20 – County Sheriff's Office - County Funds Were Used to Pay for Medical Expenses Related to a Replaced Drug Dog that was the Personal Property of a Sheriff's Deputy: During fiscal year ending June 30, 2012, the former Pushmataha County Sheriff entered into an agreement for the donation of drug dog, K-9 Athena, and subsequently a Deputy Sheriff entered into an agreement to accept a drug dog, K-9 Reiko, to replace K-9 Athena due to medical issues; the agreements were not approved by the Board of County Commissioners. County funds were used to pay medical expenses of the replaced drug dog that had now become the personal property of a Sheriff's deputy. Further, the Sheriff's office publically solicited donations to help pay for medical expenses of the replaced drug dog. **(Pg.27)**

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii -ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**PUSHMATAHA COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



Originally part of the Choctaw Nation, this county was created at statehood and takes its name from the Pushmataha District of the Choctaw Nation. Pushmataha was also the name of a Choctaw leader.

Antlers, the county seat, is the site of several manufacturing companies that produce items such as custom mixed concrete, lumber, roof trusses, building materials, and sportswear. Tuskahoma, last capital of the Choctaw Nation, is the site of the Choctaw Council House, built in 1884 and noted for its fine architecture.

A popular recreational area for outdoor enthusiasts, Pushmataha County offers locations such as the Kiamichi Mountains, Clayton Lake Recreational Area, Pine Creek State Park, and Sardis Lake for sporting activities. Although tourism and recreation contribute a great deal to the county's economy, agriculture is still a basic component, and wheat is the major crop. Ranching and timber are the main industries.

For more county information, call the county clerk's office at (580) 298-3626 or the chamber of commerce at (580) 298-2488.

County Seat – Antlers

Area – 1,422.78 Square Miles

County Population – 11,812
(2009 est.)

Farms – 833

Land in Farms – 290,409 Acres

Primary Source: Oklahoma Almanac 2011-2012

**PUSHMATAHA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Board of County Commissioners

District 1 – Michael Brittingham
District 2 – Jerry Duncan
District 3 – Jimmy Long

County Assessor

Frances Joslin

County Clerk

Jane Dunlap

County Sheriff

Jim Duncan

County Treasurer

Jenny Beth Caraway

Court Clerk

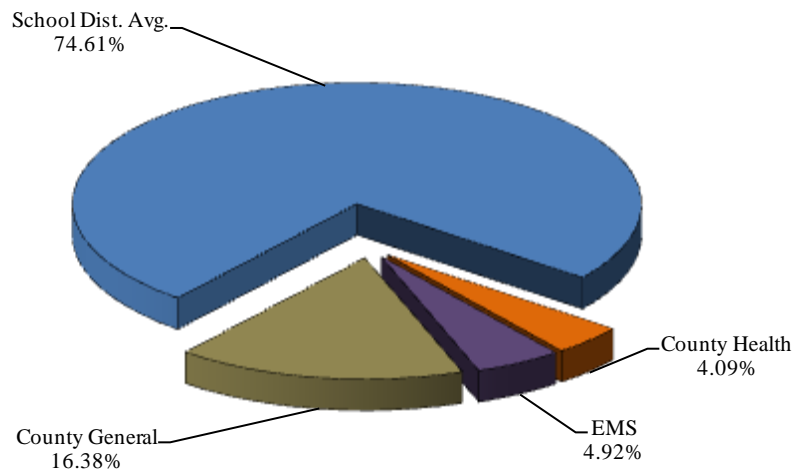
Tina Freeman

District Attorney

Mark Matloff

**PUSHMATAHA COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

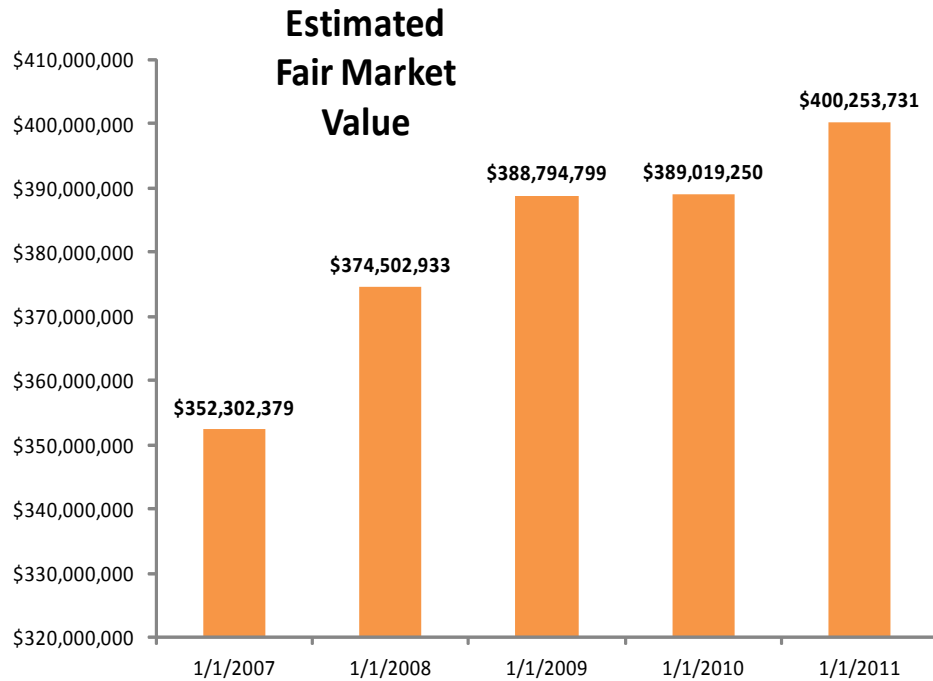
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	Career Tech Bldg.	Common	Total
County General	10.29								
County Health	2.57	Rattan	I-1	36.66	5.24	-	-	4.12	46.02
EMS	3.09	Clayton	I-10	35.59	5.08	-	10.27	2.05	57.11
		Antlers	I-13	35.99	5.14	-	10.27	2.05	57.57
		Moyers	I-22	36.54	5.22	7.43	10.27	2.05	65.63
		Albion	D-2	35.75	5.11	3.73	10.27	2.05	61.03
		Tuskahoma	D-4	36.27	5.18	-	10.27	2.05	57.89
		Nashoba	D-15	35.97	5.14	-	10.27	2.05	57.55
		Stringtown	JT-7	35.00	5.00	7.38	-	4.12	51.50
		Soper	JT-4	35.00	5.00	7.38	-	4.12	51.50
		Smithville	JT-14	35.60	5.09	13.83	-	4.12	58.64
		Battiest	JT-71	35.85	5.12	-	-	4.12	45.09

**PUSHMATAHA COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

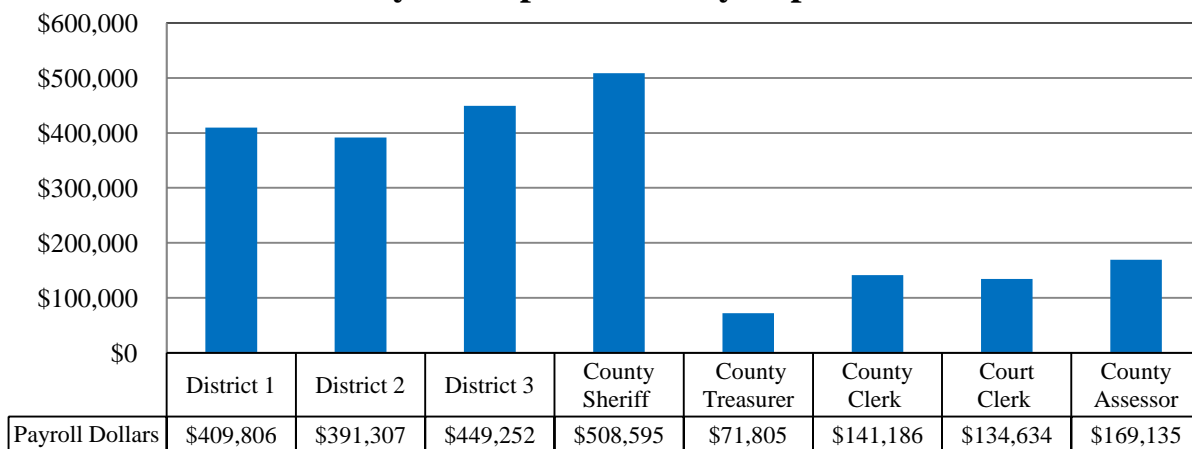
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$6,634,549	\$6,869,755	\$33,295,029	\$3,260,630	\$43,538,703	\$400,253,731
1/1/2010	\$6,052,220	\$7,392,491	\$32,438,430	\$3,243,946	\$42,639,195	\$389,019,250
1/1/2009	\$7,188,164	\$7,120,475	\$31,300,210	\$3,240,290	\$42,368,559	\$388,794,799
1/1/2008	\$6,549,956	\$7,408,336	\$30,286,203	\$3,231,829	\$41,012,666	\$374,502,933
1/1/2007	\$5,015,062	\$8,422,183	\$29,025,602	\$3,178,316	\$39,284,531	\$352,302,379



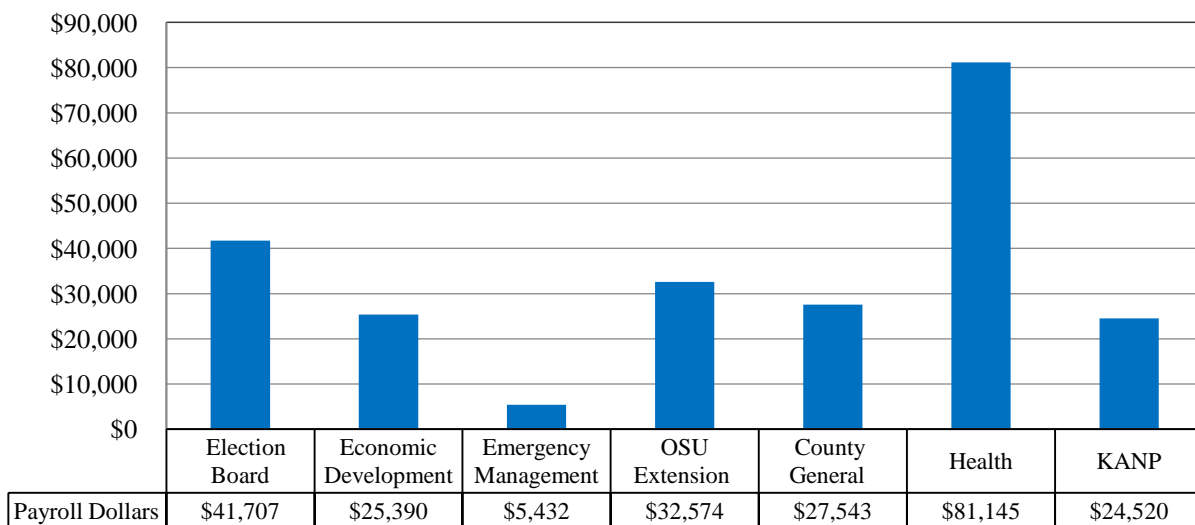
**PUSHMATAHA COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012.

Payroll Expenditures by Department



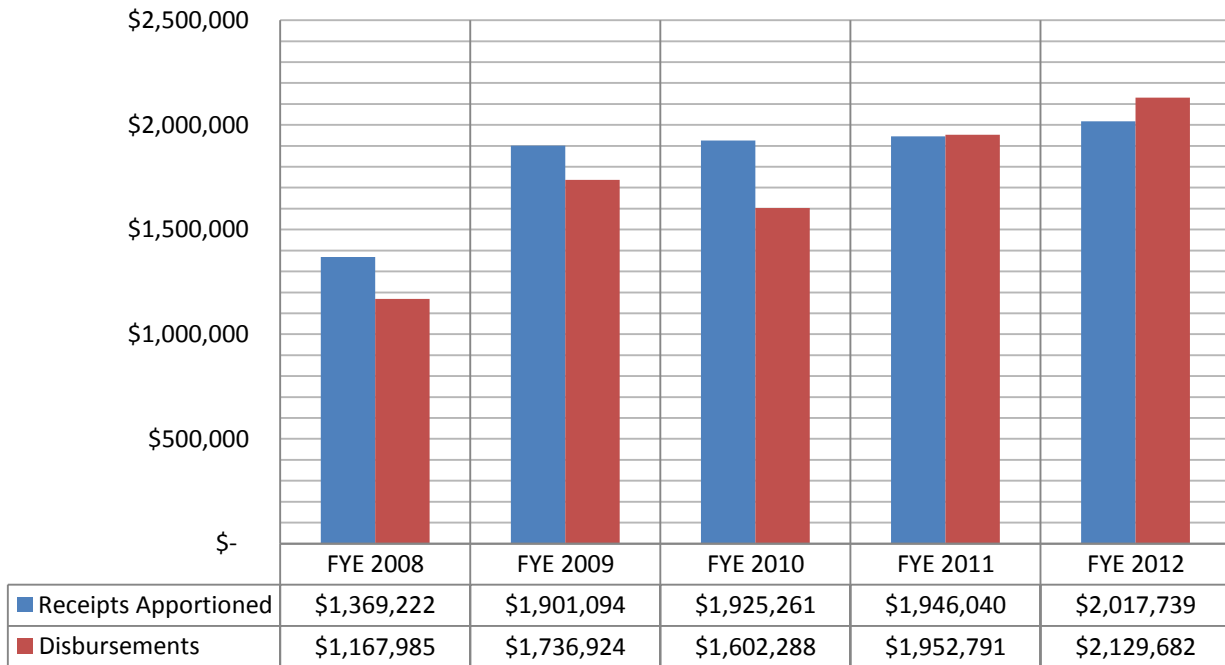
Payroll Expenditures by Department



**PUSHMATAHACOUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County General Fund

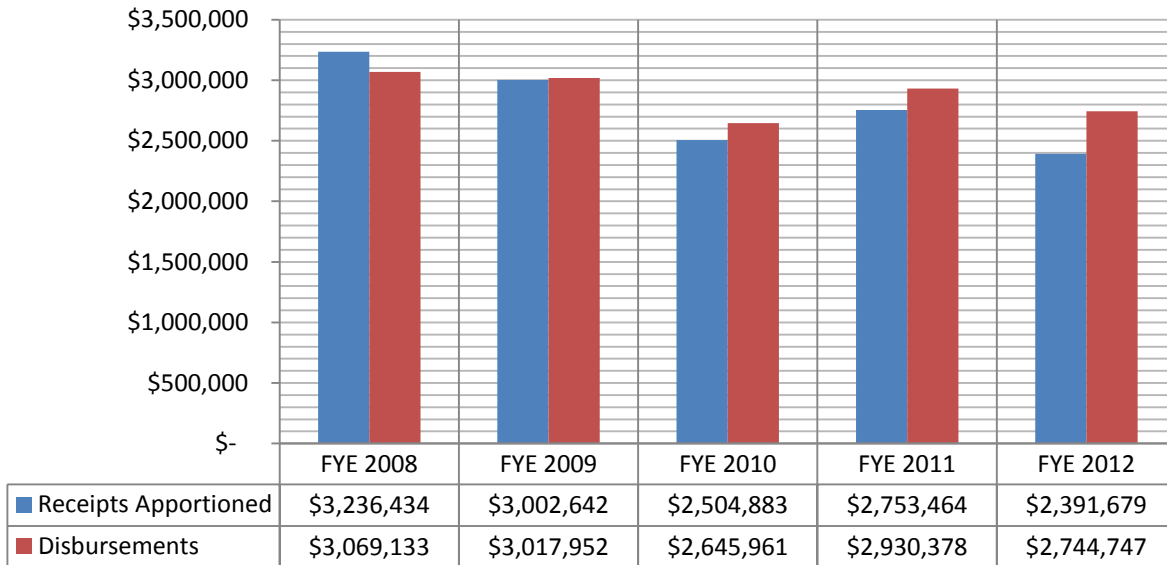
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**PUSHMATAHA COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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
PUSHMATAHA COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Pushmataha County, Oklahoma, as of and for the year ended June 30, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Pushmataha County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pushmataha County as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Pushmataha County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, on our consideration of Pushmataha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



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

October 16, 2014

REGULATORY BASIS FINANCIAL STATEMENT

PUSHMATAHA 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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General Fund	\$ 1,252,586	\$ 2,017,739	\$ -	\$ -	\$ 2,129,682	\$ 1,140,643
County Highway	666,730	2,391,679	246,917	-	2,744,747	560,579
County Health	175,960	316,766	-	-	313,132	179,594
Sheriff Cash Service Fee	76,352	222,509	-	-	237,845	61,016
Assessor Revolving Fund	45,458	4,699	-	-	4,232	45,925
REAP	70,906	96,073	-	-	157,789	9,190
CBRI - 105	817,201	324,937	-	246,917	387,454	507,767
CBRI - 103	35,020	-	-	-	-	35,020
911 Collections	59,640	99,778	-	-	-	159,418
State Disaster	-	100,000	-	-	15,670	84,330
Remaining Aggregate Funds	158,246	354,593	-	-	315,823	197,016
Combined Total - All County Funds	\$ 3,358,099	\$ 5,928,773	\$ 246,917	\$ 246,917	\$ 6,306,374	\$ 2,980,498

The notes to the financial statement are an integral part of this statement.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Pushmataha 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 emergency medical districts, 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.

County 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. Disbursements are for the operation of the County Health Department.

Sheriff Cash Service Fee – accounts for the collection and disbursement of Sheriff process service fees as restricted by statute.

Assessor Revolving Fund – accounts for the collection of fees for copies and disbursements by the Assessor as restricted by state statute.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

REAP – accounts for state grant funds used for various community projects in Pushmataha County.

CBRI - 105 – accounts for state funds to be used for the construction of roads and bridges throughout the County.

CBRI - 103 – accounts for one-time state funds to be used for the construction of bridges throughout the County.

911 Collections – accounts for the collection of fees charged on telephone bills for the County's Emergency 911 system. Disbursements are for expenditures related to providing 911 services.

State Disaster – accounts for federal funds to be used for disaster recovery.

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.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

3. Other Pension Plan

A. Pension Plan

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

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

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

On July 1, 2008, Pushmataha County voters approved a one quarter cent (.25%) sales tax effective for a period of 5 years. This sales tax was established to provide revenues dedicated solely for the purchase of any and all equipment, maintenance, training, construction on new buildings or improvements made to existing buildings, existing or future loans, services and

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

supplies for all existing Fire Departments in Pushmataha County. These funds are accounted for in the County General Fund.

On July 1, 2008, Pushmataha County voters approved a permanent three quarter cent (3/4%) sales tax effective for a period of 5 years. This sales tax was established to provide revenues to support the operation, maintenance, equipment, and administration of the Pushmataha County Hospital. These funds are accounted for in the County General Fund.

On April 1, 2011, Pushmataha County voters approved a permanent one-percent (1%) sales tax effective for a period of 5 years. This sales tax was established to provide revenues for maintenance and operation of the County jail and for financing the operation and maintenance of the office of the Sheriff of Pushmataha County, for county general, for county roads, for OSU Extension office, for the Pushmataha County Fair Board, for Economic Development, and for emergency management. These funds are accounted for in the County General Fund.

E. Interfund Transfer

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

- \$246,917 from the CBRI - 105 fund to reimburse the County Highway for expenditures on bridge and road projects in Pushmataha County.

OTHER SUPPLEMENTARY INFORMATION

PUSHMATAHA 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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,252,586	\$ 1,252,586	\$ -
Less: Prior Year Outstanding Warrants	(58,760)	(58,760)	-
Less: Prior Year Encumbrances	(25,947)	(20,910)	5,037
Beginning Cash Balances, Budgetary Basis	1,167,879	1,172,916	5,037
Receipts:			
Ad Valorem Taxes	407,285	448,709	41,424
Charges for Services	48,565	89,460	40,895
Intergovernmental Revenues	1,347,349	1,469,658	122,309
Miscellaneous Revenues	13,940	9,912	(4,028)
Total Receipts, Budgetary Basis	1,817,139	2,017,739	200,600
Expenditures:			
District Attorney	9,500	9,500	-
County Sheriff	84,560	83,623	937
County Treasurer	69,535	68,668	867
County Commissioners	38,362	38,338	24
County Clerk	158,710	157,625	1,085
Court Clerk	77,035	76,290	745
County Assessor	80,135	79,812	323
Revaluation of Real Property	122,918	109,695	13,223
General Government	124,887	107,726	17,161
Excise-Equalization Board	4,000	3,853	147
County Election Expense	51,459	44,604	6,855
Co. Commissioner - Sales Tax	68,320	24,157	44,163
Economic Development - Sales Tax	107,072	37,042	70,030
Sheriff - Sales Tax	407,313	405,806	1,507
OSU Extension - Sales Tax	100,902	61,394	39,508
General - Sales Tax	473,299	188,016	285,283
Emergency Management	13,595	7,976	5,619
Free Fair	21,470	8,987	12,483
Hospital	390,149	85,016	305,133
Volunteer Fire - Sales Tax	572,660	564,199	8,461
County Audit Budget	9,137	6,865	2,272
Total Expenditures, Budgetary Basis	2,985,018	2,169,192	815,826

Continued on next page

PUSHMATAHA COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	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>	1,021,463	<u>\$ 1,021,463</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Warrants Estopped by Statute		25	
Add: Current Year Reserves		51,711	
Add: Current Year Outstanding Warrants		67,444	
Ending Cash Balance		<u>\$ 1,140,643</u>	

**PUSHMATAHA 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, 2012**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 175,960	\$ 175,960	\$ -
Less: Prior Year Outstanding Warrants	(20,589)	(20,589)	-
Less: Prior Year Encumbrances	(12,346)	(10,432)	1,914
Beginning Cash Balances, Budgetary Basis	143,025	144,939	1,914
Receipts:			
Ad Valorem Taxes	101,722	112,176	10,454
Charges for Services	203,758	202,239	(1,519)
Intergovernmental Revenues	-	2,351	2,351
Total Receipts, Budgetary Basis	305,480	316,766	11,286
Expenditures:			
Health and Welfare	448,505	309,935	138,570
Total Expenditures, Budgetary Basis	448,505	309,935	138,570
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	151,770	\$151,770
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Warrants Estopped by Statute		19	
Add: Current Year Reserves		23,235	
Add: Current Year Outstanding Warrants		4,570	
Ending Cash Balance		\$ 179,594	

PUSHMATAHA COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Resale Property	\$ 30,924	\$ 121,799	\$ 61,851	\$ 90,872
Treasurer Mortgage Tax Fee	1,156	2,375	2,346	1,185
County Clerk Lien Fee	4,074	3,639	3,133	4,580
Assessor Visual Inspection	40	-	-	40
Sheriff Revolving	28	-	-	28
Sheriff Drug Cash Account	2,100	-	-	2,100
CDBG	-	19,830	19,830	-
KEDDO Grant	147	-	-	147
Courthouse A/C	324	-	-	324
RMP	28,198	14,290	29,451	13,037
Clayton Nutrition Center	8,752	628	2,444	6,936
CAMA	24,931	-	24,931	-
KANP	41	37,087	34,271	2,857
Hazardous Mitigation	-	13,406	13,406	-
SGA	34,636	-	10,000	24,636
Trash Cop	137	-	-	137
Court Clerk Payroll	8,433	62,270	58,758	11,945
Drug Court Revolving Fund	14,325	79,269	55,402	38,192
Combined Total - Remaining Aggregate Funds	\$ 158,246	\$ 354,593	\$ 315,823	\$ 197,016

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. 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 the same as restricted by statute.

Treasurer Mortgage Tax Fee – accounts for the collection of fees by the County Treasurer for mortgage tax certificates and disbursements as restricted by statute.

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

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

Sheriff Revolving – accounts for the collection and disbursement of the sheriff process service fees as restricted by state statute.

Sheriff Drug Cash Account – accounts for the collection of the Sheriff's percentage of drug forfeitures.

CDBG – accounts for federal grant funds for various projects including a courthouse elevator, rural water district lines, and renovations to a youth service building.

**PUSHMATAHA COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

KEDDO Grant – accounts for state funds used for renovations to the Pushmataha County Jail.

Courthouse A/C – accounts for state funds used for repairs to the courthouse air conditioning system.

RMP – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

Clayton Nutrition Center – accounts for state funds used for the construction of a nutrition center in Clayton, Oklahoma.

CAMA – accounts for state funds to be used for the Child Abuse Awareness Program.

KANP – accounts for state funds to be used for the operation of the Clayton Nutrition Center.

Hazardous Mitigation – accounts for federal grant funds used for risk management tools to prioritize the risks from natural hazards and identify the vulnerabilities to those risks.

SGA – accounts for state grant funds to be used for the operation of the Sheriff's office.

Trash Cop – accounts for state funds used to prosecute trash offenders.

Court Clerk Payroll – accounts for funds deposited to be used for payroll for the Court Clerk's office.

Drug Court Revolving Fund – accounts for state funds used for the operation of the Drug Court.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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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
PUSHMATAHA COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pushmataha County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Pushmataha County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 16, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pushmataha County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pushmataha County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2012-1, 2012-2, 2012-5, 2012-6, 2012-7, and 2012-19.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting 2012-3, 2012-9, and 2012-20.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pushmataha County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-19.

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

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

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



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

October 16, 2014

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 2012-1 – Inadequate County-Wide Controls

Condition: County-Wide controls regarding Risk Management, Information and Communication and Monitoring have not been designed.

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

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

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

Management Response:

Chairman, Board of County Commissioners: Pushmataha County will make every effort to ensure that procedures are written to address the needs of risk assessment and monitoring and address those risks as well as establishing more effective communication among officials. We will encourage all elected officials and department heads to attend and have their employees attend training workshops. And we will meet on a quarterly basis and or as needed with the other officers to communicate and discuss risks of the County.

As Chairman of the Board of County Commissioners I will, in a joint effort with the County Commissioners and other County Officials, develop a plan to monitor the County's internal controls to ensure that the audit findings and other reviews are properly resolved. The Board of County Commissioners will strive to make risk assessment, monitoring and communication a priority.

County Treasurer: We will strive to implement procedures in monthly meetings to identify and address risks to the County, should there be any, and determine how to best monitor and address those risks as well as establish more communication among officials.

County Clerk: We will work with other County officers regarding meeting on a regular basis to help find solutions to the issues regarding internal controls.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment Information & Communication and Monitoring for the achievement of these goals.

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

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

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and other within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

Finding 2012-2 – Disaster Recovery Plan - County Clerk, County Treasurer, and County Assessor

Condition: The County Clerk, County Treasurer, and County Assessor do not have a current written Disaster Recovery Plan.

Cause of Condition: Procedures have not been designed to develop and implement a formal Disaster Recovery Plan.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster.

Recommendation: OSAI recommends the County Clerk, County Treasurer, and County Assessor develop a current Disaster Recovery Plan which is stored off-site. The County should study and act on different proposals to ensure that back-up tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster.

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Management Response:

County Clerk: My written Disaster Recovery Plan will be updated annually.

County Treasurer: We will attempt to correct the above named conditions by working with the Oklahoma State Auditor's Office.

County Assessor: I am in the process of implementing a Disaster Recovery Plan.

Criteria: According to the standards of the Information Systems Audit and Control Association's (COBIT Delivery and Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined, Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation, Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management), information services function management should ensure that all users (internal, external, and temporary) and their activity on IT systems (business application, IT environment, system operations, development, and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Finding 2012-3 - Inadequate Internal Controls Over Information Systems Security - County Clerk, County Treasurer, and County Assessor

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

- There are no written job descriptions or policies and procedures regarding computer usage.
- All offices do not require each user to change their password quarterly nor is there a required length for the passwords, resulting in passwords that are not secured.

Cause of Condition: Policies and procedures have not been designed or implemented in regard to security of computers.

Effect of Condition: These conditions could result in compromised security for the computers, computer programs, and data.

Recommendation: OSAI recommends the County require all employees to log off of computers when away from their desks, and set computers to log off after periods of inactivity. OSAI also recommends written job descriptions and policies and procedures regarding computer use be designed and implemented by management. In addition, OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for character length and an expiration of a minimum of at least every 90 days.

Management Response:

County Clerk: The County Clerk's office will change passwords quarterly and will also log off our computers when we leave our desks. We will also work on implementing a written policy regarding computer usage.

County Treasurer: It is our intent to contact our software provider to have our system to prompt us to change our passwords periodically. We will also work on implementing a written policy regarding computer usage. We already log off our computers when we leave them.

County Assessor: We will contact our software provider to have our system to prompt us to change our passwords periodically and to have our computers set to log off after periods of inactivity. We will also work on implementing a written policy regarding computer usage.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Finding 2012-5 – Inadequate Segregation of Duties Over Receipting and Balancing Process – County Treasurer

Condition: Upon inquiry and observation of the receipting and balancing process of the County Treasurer's office, the following was noted:

While the County Treasurer has implemented some internal controls, employees that issue receipts also prepare the deposit and/or take the deposit to the bank, as well as balance cash drawer and perform bank reconciliations.

Cause of Condition: Procedures have not been designed to adequately segregate the duties over the receipting and balancing process within the office of the County Treasurer.

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 management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response:

County Treasurer: Due to a small budget, we are unable to employ enough people to properly have segregation of duties as requested by OSAI. However, to ensure all accounts, bank statements, reports, and cash drawers are accurately monitored we have a procedure in place whereby another deputy, or the officer, reviews and signs off on all deposits and receipts when balancing. Also, a deputy will review and sign off on the bank statements and apportionments.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Finding 2012-6 – Inadequate Segregation of Duties Over Payroll

Condition: A lack of segregation of duties exists in the County Clerk's office because one deputy enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees and payroll

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

related agencies, updates the master payroll file, issues payroll, prints payroll warrants, and removes terminated employees from payroll.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the payroll department.

Effect of Condition: These conditions could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that 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.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

County Clerk: There are not enough available funds to implement the above recommendations. We do the best we can with what we have.

Auditor Response: Although the office of the County Clerk is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates.

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

Finding 2012-7 – Inadequate Segregation of Duties Over Purchasing

Condition: Upon inquiry and observation of the County's purchasing process, the following concentration of duties was noted: the Purchasing Agent prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, has custody of/prepares the warrants, maintains ledgers, distributes warrants, and prepares and prints purchase orders.

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

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the 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. Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

Management Response:

County Clerk: I will try to segregate duties in the future.

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

Finding 2012-9 – Inadequate Internal Controls Over Sheriff Employees and Time Reporting

Condition: Upon inquiry and observation of the County's payroll process/timesheet reporting, it was noted that the Sheriff's office did not file signed and completed monthly timesheets with the County Clerk as required for the months of July, August, and September of 2011.

Cause of Condition: Policies and procedure have not been designed with regard to time reporting/completing of timesheets or compensating controls of the payroll process.

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

Recommendation: OSAI recommends that management require all employees to sign and complete timesheets on a monthly basis, that all timesheet be reviewed and signed by a supervisor or elected official. Further, all timesheets once complete should be filed with the County Clerk.

Management Response:

County Sheriff: From this point forward, we will work better with the County Clerk in making sure that all completed timesheets are turned in.

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.

**PUSHMATAHA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Finding 2012-19 – Bids Were Not Solicited for County Expenditures Related to Dozer Services in the Amount of \$46,450 (27 Month Period) – County Commissioner District 2

Condition: During the course of our audit, it was brought to our attention that County Commissioner District 2 hired a contractor to perform dozer services to dig shale without bidding the services. We obtained a vendor list from the County Clerk for the contractor performing the work for the fiscal years ended June 30, 2012 and 2013, for the period from July 1, 2013 through October 8, 2013 to determine payments made to the contractor. Payments were made to the contractor as follows:

- For the fiscal year ended June 30, 2011, a total of \$18,900.00 for 201 hours worked. The hourly rate charged was \$90.00 to \$100.00.
- For the fiscal year ended June 30, 2012, a total of \$17,550.00 for 160 hours worked. The hourly rate charged was \$100.00 to \$125.00.
- For the period July 1, 2013 through October 8, 2013, a total of \$10,000.00 for 80 hours worked. The hourly rate charged was \$125.00.

After reviewing the purchase orders, bid documentation, and visually inspecting the work sites, the following items were noted:

- The bid for dozer work was not awarded to the individual hired by County Commissioner District 2. It was also noted the individual hired to do the work had not submitted a bid.
- The locations in which the dozer work was performed was done on private property without the approval of the Board of County Commissioners or a contract/land owner agreement on file.
- The Board of County Commissioners did not accept the donation of the material as required by 60 O.S. § 339.
- The secretary signed the receiving reports verifying all work had been performed without visually verifying the services had been performed.
- Eighteen (18) of the forty-one (41) days worked, were performed on Saturdays and Sundays.

The following schedules reflect days worked, amount paid, hours worked, and rate charged per hour.

Fiscal year ended June 30, 2012:

Purchase Order Number	Purchase Order Date	Invoice Date	Warrant Number	Amount Paid	Hours Worked	Rate Per Hour
397	07/22/11	07/22/11	289	\$990.00	11	90.00
398	07/23/11	07/23/11	290	990.00	11	90.00
399	07/24/11	07/24/11	291	990.00	11	90.00
443	07/29/11	07/29/11	296	900.00	10	90.00
444	07/29/11	07/30/11	297	900.00	10	90.00
445	07/29/11	07/31/11	298	900.00	10	90.00

**PUSHMATAHA COUNTY, OKLAHOMA
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Purchase Order Number	Purchase Order Date	Invoice Date	Warrant Number	Amount Paid	Hours Worked	Rate Per Hour
538	08/05/11	08/05/11	310	900.00	10	90.00
539	08/05/11	08/06/11	311	900.00	10	90.00
540	08/05/11	08/07/11	312	720.00	8	90.00
619	08/12/11	08/13/11	580	900.00	10	90.00
620	08/12/11	08/14/11	581	900.00	10	90.00
4292	06/08/12	06/08/12	60	1,200.00	12	100.00
4293	06/09/12	06/09/12	61	1,200.00	12	100.00
4294	06/10/12	06/10/12	62	1,000.00	10	100.00
4308	06/11/12	06/11/12	63	1,200.00	12	100.00
4309	06/13/12	06/12/12	64	1,200.00	12	100.00
4310	06/14/12	06/13/12	65	1,200.00	12	100.00
4311	06/14/12	06/14/12	66	1,200.00	12	100.00
4312	06/15/12	06/15/12	67	800.00	8	100.00
Total				\$18,900.00	201	

Fiscal year ended June 30, 2013:

Purchase Order Number	Purchase Order Date	Invoice Date	Warrant Number	Amount Paid	Hours Worked	Rate Per Hour
675	08/17/12	08/17/12	6	\$1,000.00	10	100.00
676	08/15/12	08/18/12	7	600.00	6	100.00
677	08/15/12	08/19/12	8	800.00	8	100.00
800	08/24/12	08/24/12	13	1,000.00	10	100.00
801	08/24/12	08/25/12	14	1,100.00	11	100.00
802	08/24/12	08/26/12	15	1,200.00	12	100.00
803	08/24/12	08/27/12	16	1,100.00	11	100.00
1180	09/28/12	09/28/12	36	1,000.00	10	100.00
1181	09/28/12	09/29/12	37	1,000.00	10	100.00
1182	09/28/12	09/30/12	38	1,000.00	10	100.00
4120	06/10/13	06/10/13	57	1,750.00	14	125.00
4130	06/11/13	06/11/13	58	1,500.00	12	125.00
4139	06/12/13	06/12/13	65	1,500.00	12	125.00
4160	06/13/13	06/13/13	63	1,500.00	12	125.00
4161	06/14/13	06/14/14	64	1,500.00	12	125.00
Total				\$17,550.00	160	

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July 1, 2013 through October 8, 2013:

Purchase Order Number	Purchase Order Date	Invoice Date	Warrant Number	Amount Paid	Hours Worked	Rate Per Hour
652	08/16/13	08/16/13	16	\$1,500.00	12	125.00
653	08/16/13	08/17/13	17	1,500.00	12	125.00
654	08/16/13	08/18/13	18	1,500.00	12	125.00
655	08/16/13	08/19/13	19	1,500.00	12	125.00
1230	10/08/13	10/08/13	24	1,500.00	12	125.00
1231	10/08/13	10/08/13	25	1,500.00	12	125.00
1232	10/08/13	10/08/13	26	1,000.00	8	125.00
Total				\$10,000.00	80	

Cause of Condition: Policies and procedures have not been designed to ensure commonly used services are bid as required by state statute.

Effect of Condition: This condition resulted in the violation of state statutes regarding the bid process.

Recommendation: OSAI recommends the County follow proper bidding procedures as outlined in state statutes and refrain from conducting business in any manner that suggests preferential treatment for one vendor at the exclusion of all other vendors.

Management Response:

County Commissioner District 2: The vendor that was awarded the dozer bid did not have a dozer big enough to do the jobs I had to do, and the vendor was not available for the jobs. I was not aware that landowner agreements and acceptance of donated materials had to be approved by the Board of County Commissioners. I don't know who signs the receiving reports other than the secretary. Yes some work was done on Saturdays and Sundays, because the individual doing the work had another job. In the future I will bid everything.

Criteria: 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt or supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

Title 19 O.S. § 1505 (B) (1) states, "The bid procedure for selecting a vendor for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by a county shall be as follows:

1. The county purchasing agent shall request written recommendations from all county officers pertaining to commonly used supplies, materials, and equipment. From such recommendations and available requisition, purchase, or inventory records, the county purchasing agent shall prepare a list of items commonly used by county officers. The

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county purchasing agent shall request from the Purchasing Division of the Department of Central Services all contracts quoting the price the state is paying for the items. The county purchasing agent shall either request the Purchasing Division of the Department of Central Services to make the purchase for the county or solicit bids for unit prices on the items for periods of not to exceed twelve (12) months in the manner described in paragraph 2 of this subsection. If the county purchasing agent receives a requisition for an item for which the county purchasing agent does not have a current bid, the county purchasing agent shall request from the Purchasing Division of the Department of Central Services all contracts quoting the price the state is paying for the item. The county purchasing agent shall either request the Purchasing Division of the Department of Central Services to make the purchase for the county or solicit bids in the manner described in paragraph 2 of this subsection. Nothing in this paragraph shall prohibit bids from being taken on an item currently on a twelve-month bid list, at any time deemed necessary by the county purchasing agent. Whenever the county purchasing agent deems it necessary to take a bid on an item currently on a twelve-month bid list, the reason for the bid shall be entered into the minutes of the board of county commissioners.”

Title 60 O.S. § 390 states, “The board of county commissioners of each county of the state, as to such county, and the governing board of each city, town and school district of the state, as to each such governmental subdivision, is hereby authorized in its discretion to accept, upon behalf of such county, city, town or school district, any gift, testamentary or otherwise, whether unconditional or conditional, of any property, whether real or personal or both, to such county, city, town, or school district, or any institution, department or agency thereof; and, in such instances, the property, or, in the case of real property or intangible personal property, the muniments of title thereto, shall be delivered to, and any necessary receipts therefor shall be executed by, such board.”

Finding 2012-20 – County Sheriff’s Office - County Funds Were Used to Pay for Medical Expenses Related to a Replaced Drug Dog that was the Personal Property of a Sheriff’s Deputy

Condition: During fiscal year ended June 30, 2012, the former Pushmataha County Sheriff entered into an agreement for the donation of drug dog, K-9 Athena, and subsequently a Deputy Sheriff entered into an agreement to accept a drug dog, K-9 Reiko, to replace K-9 Athena due to medical issues. These contracts were not approved in an open meeting by the Board of County Commissioners.

While reviewing the Board minutes, agreement/contracts, purchase orders, appropriation ledger, miscellaneous receipts, and other documentation, the following was noted:

- The agreement between the former Sheriff and the vendor donating K-9 Athena was not approved by the Board of County Commissioners.
- The Board of County Commissioners did not accept the donation of K-9 Athena as required by 60 O.S. § 339.
- The K-9 Athena was not listed on the County Sheriff’s inventory as required by 19 O.S. § 171.2.

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- A Deputy Sheriff personally benefited when they entered into the agreement, on behalf of the Pushmataha County Sheriff's Office, to receive legal ownership of K-9 Reiko, which appears to be in violation of 21 O.S. § 341.
- The County paid for the Deputy's travel expenses when attending courses for K-9 Reiko.
- After Drug Dog Athena was replaced and became the personal property of the Deputy, County funds in the amount of \$8,365.93 were paid for medical expenses.
- The Sheriff's office solicited donations and held fund raisers to pay veterinary expenses for K-9 Athena after she had been replaced and was not property of the County. The donations were not accepted by the Board of County Commissioners.

The following timeline documents the events that occurred to obtain the drug dogs:

- April 12, 2012, an agreement for the donation of a Dual Purpose Sheriff K-9 (Athena) and two weeks training, at no cost, for a Deputy was entered into by the Pushmataha County Sheriff's Office and Lone Wolf K-9, Inc. The agreement included the following terms:
 - Athena will be used by the Deputy that underwent the K-9 training course in his daily patrols.
 - The Sheriff's office agrees to provide veterinary services to Athena.
 - Upon retirement of the Sheriff ownership of Athena will be transferred to the Deputy.
- May 25 through June 8, 2012, the Deputy attended a K-9 training course for K-9 Athena in Ohio.
- October 5 through October 26, 2012, the Deputy attended a K-9 training course for K-9 Reiko in Ohio. The County reimbursed the Deputy \$196.14 for meals and incidental expenses. Additionally, the Deputy used a County vehicle and fuel.
- October 25, 2012, an agreement for the replacement of K-9 Athena, due to medical issues, with K-9 Reiko and training for the Deputy was entered into by a Deputy of Pushmataha County Sheriff's Office and Lone Wolf K-9, Inc. The agreement includes the following terms:
 - The Deputy agrees that K-9 Reiko is the replacement for K-9 Athena.
 - Lone Wolf K-9, Inc. agrees that the Deputy retain K-9 Athena as his own dog, to use as he sees fit to do so.
 - The Deputy is the legal owner of K-9 Reiko.
- October 30, 2012, a letter signed by the Pushmataha County Sheriff stated the following:
 - K-9 Reiko will be a commissioned Deputy under the authorization of County Sheriff.
 - The Deputy will be the solo partner of K-9 Reiko and K-9 Reiko will remain under his ownership at all times.
 - K-9 Reiko is for department use and not for personal gain of the Deputy.
 - At any time the Deputy resigns or is terminated K-9 Reiko will remain with the Deputy as his owner.
- November 12, 2012, a letter signed by the Pushmataha County Sheriff stated the following:
 - As per the agreement dated April 12, 2012 with Lone Wolf K-9, Inc., K-9 Athena's ownership is transferred to the Deputy.
- March 30, 2013, the Pushmataha County Sheriff's Office held a benefit at the Pushmataha County Fairgrounds to raise money to help pay for Athena's surgery.
- June 4 through June 30, 2013, the Deputy attended a K-9 training course for K-9 Reiko in Ohio. The County reimbursed the Deputy \$249.91 for meals and incidental expenses. Additionally, the Deputy used a County vehicle and fuel.

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- Newspaper articles published September 26, 2013 and October 3, 2013, reflects the Sheriff's office was selling t-shirts, hooded sweaters, and wrist bands to raise money for K-9 Athena.
- The County Sheriff's office deposited \$5,529.63 into the Drug Dog Account from March 25, 2013 through October 2013.
- After K-9 Athena was replaced by K-9 Reiko on October 25, 2012, the Sheriff incurred and paid the following veterinarian expenses for K-9 Athena:
 - Drug Dog Account
 - FY13 \$3,850.32
 - FY14 \$1,519.56
 - Sheriff Cash Service Fee
 - FY13 \$438.80
 - FY14 \$35.90
 - Sheriff Sales Tax
 - FY13 \$65.60
 - FY14 \$2,455.75
- During fiscal year 2014 \$116.65 was expended from the Drug Dog Account for the purchase of wristbands that were sold to raise funds for K-9 Athena.
- After the Deputy took possession of K-9 Reiko, the Sheriff incurred and paid \$1,019.22 in veterinary, certification, and miscellaneous expenses for K-9 Reiko.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all donations made to the County are accepted and approved by the Board of County Commissioners. Also, procedures have not been implemented to ensure all County assets are listed on an inventory list and filed with the County Clerk. Additionally, procedures have not been implemented by the County Sheriff to ensure all contracts are approved by the Board of County Commissioners.

Effect of Condition: These conditions resulted in noncompliance with state statutes, inaccurate records, incomplete information, and misappropriation of assets.

Recommendation: OSAI recommends agreements/contracts entered into by the County Sheriff be reviewed and approved by the Board of County Commissioners. Also, all donations to the County received by the County Sheriff shall be accepted by the Board of County Commissioners. OSAI further recommends that the County Sheriff document and file with the County Clerk all assets in his possession as required by 19 O.S. § 178.2. Further, we also recommend the County Sheriff not expend County funds for items not belonging to the County. In addition, the services provided by the drug dogs not belonging to the County, should be supported by a written contract approved by the Board of County Commissioners.

Management Response:

County Sheriff: Most of this occurred prior to me taking office, as I took office December 1, 2012. It is

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my intent to enter into a contract between the Sheriff's Office and the County Commissioner's as soon as possible regarding all K-9 usages and donations. I also intend to see that all inventory is documented and filed with the County Clerk.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls 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 acquisition, use or disposition of fixed assets, and safeguarding items from loss, damage, or misappropriation.

Title 60 O.S. § 390 states, "The board of county commissioners of each county of the state, as to such county, and the governing board of each city, town and school district of the state, as to each such governmental subdivision, is hereby authorized in its discretion to accept, upon behalf of such county, city, town or school district, any gift, testamentary or otherwise, whether unconditional or conditional, of any property, whether real or personal or both, to such county, city, town, or school district, or any institution, department or agency thereof; and, in such instances, the property, or, in the case of real property or intangible personal property, the muniments of title thereto, shall be delivered to, and any necessary receipts therefor shall be executed by, such board."

Title 19 O.S. § 178.2 states, "It shall be and is hereby made the duty of every county officer, board, commission, or department, and by record directive of the board of county commissioners may be made the duty of any employee of the board of county commissioners subject to summary discharge and removal by the board, to conform in all respects and be amenable to all uniform resolutions adopted by their respective boards of county commissioners directing the taking, recording, maintaining and reporting inventories of properties in their respective custody in accordance with the provisions of this act. It shall be the duty and responsibility of each elected county official to create and maintain inventory records of said office. Such inventory shall be filed with the county clerk."

Title 21 O.S. § 341 states in part, "Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either:

First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer's or person's hands or money to be raised through an agency for state, city, town, district, or county purposes; or..."

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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 2012-13 – Inadequate Segregation of Duties – Court Clerk

Condition: The following concerns were noted in regards to recording, authorization, custody, and execution of receipts and expenditures.

- A single deputy can issue receipts, void receipts, prepare and sign vouchers, authorize purchases, balance cash drawer, and prepare reconciliations.
- All deputies work out of one cash register.

Cause of Condition: Management has not implemented procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

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 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. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. 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:

Court Clerk: As of the last audit, all claims are acknowledged and signed by a deputy. A single deputy does issue and void receipts, two deputies balance the cash drawer, one counts money and the other one adds receipts. All three deputies work out of one cash drawer and it is balanced daily. The Court Clerk only prepares and signs vouchers and as of the last audit, all claims are acknowledged and signed by a deputy and signed by the Judge.

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.

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Finding 2012-16 – Inadequate Internal Controls Over Signature Stamps – Court Clerk

Condition: While gaining an understanding of the process of the District Court, Court Fund and Court Clerk Revolving Fund, we noted that the Court Clerk has control of one of the District Judge's signature stamps.

Cause of Condition: The District Judge did not have physical control of his signature stamps.

Effect of Condition: This condition could result in unauthorized transactions and misappropriation of funds.

Recommendation: OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that the stamp is adequately safeguarded from unauthorized use.

Management Response:

Court Clerk: This issue has been corrected. All claims are signed by the Judge and no signature stamps are used.

Criteria: An 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 from loss, damage, or misappropriation.

Finding 2012-17 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: Regarding the Inmate Trust Fund Checking Account, the following weaknesses were noted:

- One person receives money, prepares the deposit, takes the deposit to the bank, and performs the bank reconciliation for the Inmate Trust Fund Checking Account.
- Individual Inmate Trust Fund Checking Account balances are not being reconciled to the bank statements each month.
- All checks issued did not have two authorized signatures.
- The Sheriff does not make daily deposits.
- The Sheriff's office does not produce or file an Annual Report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.

After performing testwork regarding Inmate Trust Fund Checking Account receipts and expenditures, the following noncompliance was noted:

- Checks are being issued to the vendor for commissary items.
- A receipt book containing 150 receipts could not be located for the period of April 16, 2012 through May 22, 2012.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund 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.
- The Inmate Trust Fund Checking Account should be maintained in a manner that reflects each inmate's trust deposit, disbursements, and account balances. The Inmate Trust Fund Checking Account balances should be reconciled to the bank statement each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- All checks from the Inmate Trust Fund Checking Account should have two authorized signatures.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

Management Response:

County Sheriff: We will have a meeting with all staff as soon as possible and go over all issues stated above; we will correct all issues as required.

- This Office will adhere to the segregation of duties on receipting provided by the Auditor's Office. The duties will be assigned to personnel to ensure proper controls are implemented.
- Reconciliation of the Inmate Trust Fund Checking Account to the bank statement will be performed on a monthly basis.
- Controls will be put in place to prevent inmate trust funds to be disbursed without two signatures of designated staff.
- All deposits will be made daily with any exceptions (secretary being gone, etc.) documented on next day's deposit.
- Arrangements will be made with Commissary vendor to provide such documentation for future monthly and annual reports.
- No operating expenditures will be appropriated from this Inmate Trust Fund Checking Account.
- Procedures for the storage of receipt books will be implemented to ensure documentations will be maintained and available for inspection.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding

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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 and individual inmate fund reconciliation not performed, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

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

Title 19 O.S. § 531A states in part, “...the county sheriff may establish a checking account, to be designated the “Inmate Trust Fund 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 for unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states in part, “...Banking fees on the account may be paid out of the Sheriff Commissary Account or the county sheriff’s Service Fee Cash Fund.”



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