

COUNTY AUDIT

PUSHMATAHA COUNTY

For the fiscal year ended June 30, 2013



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, 2013**

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Oklahoma State Auditor & Inspector

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

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, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iv
County Officials.....	v
Ad Valorem Tax Distribution	vi
Assessed Value of Property Trend Analysis.....	vii
County Payroll Expenditures Analysis	viii
County General Fund Analysis	ix
County Highway Fund Analysis	x

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	13
Notes to Other Supplementary Information	14

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

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16
Schedule of Findings and Responses	18

ITEMS OF INTEREST

Finding 2013-9 – Circumventing the Bid Process – County Commissioner District 2: In February 2013, County Commissioner District 2 purchased a 1992 F-350 truck for \$3,500 from a local vendor. In April 2013, a purchase order for \$6,500 was requisitioned by County Commissioner District 2 for same vendor for a 1997 F-450 truck. The purchase order reflected the cost of the 1997 F-450 truck as \$10,000 less the \$3,500 trade-in allowance for the 1992 F-350 purchased in February 2013. Bids were not solicited for the 1997 F-450 Truck as required by state statutes for purchases of \$10,000 or more. **(Pg. 25)**

Finding 2013-14 – Purchases ‘Split’ to Circumvent Bid Requirements – County Sheriff: On June 3, 2013, the County Sheriff encumbered funds in the amount of \$9,999.00 to purchase a 2009 Ford Expedition Police Special Service Package. Funds were also encumbered in the amount of \$3,500.00 for an emergency lighting package from the same vendor on July 3, 2013. Bids were not solicited for the Expedition and lighting package as required by state statutes for purchases of \$10,000 or more. **(Pg. 27)**

Finding 2013-16 – Property Not on Tax Roll – County Commissioner District 2: It was noted that County Commissioner District 2 has a cabin located on his property that is not on the tax roll. **(Pg. 28)**

Finding 2013-17 – Work Performed without Inter-local Agreement – County Commissioner District 2: There were no inter-local agreements between the County, the City of Antlers, and Antlers Public Schools at the time the work was performed. **(Pg. 29)**

Finding 2013-18 – County Equalization/Excise Board Member Serving as a City Council Member: During our audit, it was brought to our attention that an Equalization/Excise Board Member was also serving as a City Council Member for the City of Antlers. State statutes prohibit an Equalization/Excise Board Member from holding a municipal office. **(Pg. 30)**

Finding 2013-19 – Bids Were Not Solicited for County Expenditures Related to Dozer Services in the Amount of \$46,450 (27 Month Period) – County Commissioner District 2 (Repeat Finding): 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. 31)**

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

ITEMS OF INTEREST - Continued

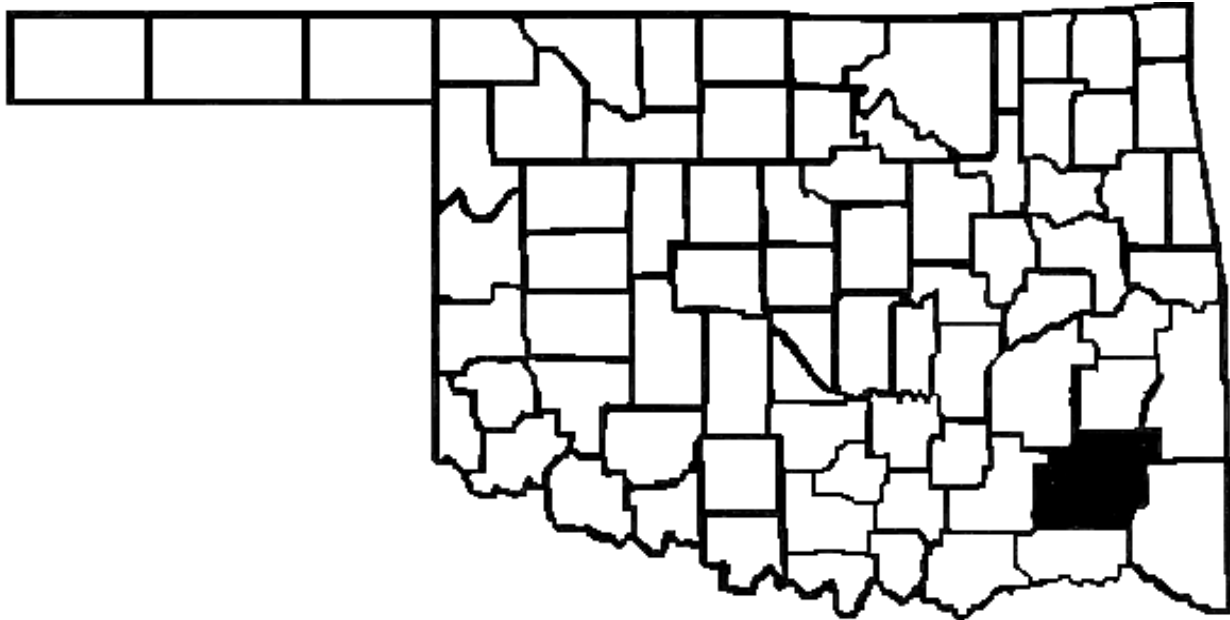
Finding 2013-20 – County Sheriff’s Office - County Funds Were Used to Pay for Medical Expenses Related to a Replaced Drug Dog that was the Personal Property of a Sheriff’s Deputy (Repeat Finding): During fiscal year ending June 30, 2012, the former Pushmataha County Sheriff entered into an agreement 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. 35)**

Finding 2013-31 – Purchase of Tires for Personal Vehicle – County Commissioner District 2: County Commissioner District 2 requisitioned a purchase order in the amount of \$850.00 for the purchase of a Honda motor and a diesel pump; however, it appears these items were not actually purchased. Based on interviews with the vendor, the vendor stated that the County Commissioner District 2 instructed him to complete an invoice listing a Honda motor and a diesel pump instead of the four tires that were actually purchased. The vendor also stated the County Commissioner District 2 took the tires at the time of purchase, Cooper Discoverers A/T3 LT275/65/R18, and then later returned with a set of four Cooper Discoverers A/T3 LT275/65/R18 that were mounted on the Commissioner’s personal vehicle. **(Pg. 39)**

Finding 2013-32 – County Equipment Items Sold and Later Repurchased: In June 2014, the County Commissioner District 2 purchased two pieces of equipment from a local vendor for \$5,000. These two pieces of equipment had previously been sold to the vendor by the County in September 2011 and July 2012 for a total of \$1,050. **(Pg. 40)**

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iv -x
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

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



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 – 11,205
(2012 est.)

Farms – 833

Land in Farms – 290,409 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

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

Terry Duncan

County Treasurer

Jenny Beth Caraway

Court Clerk

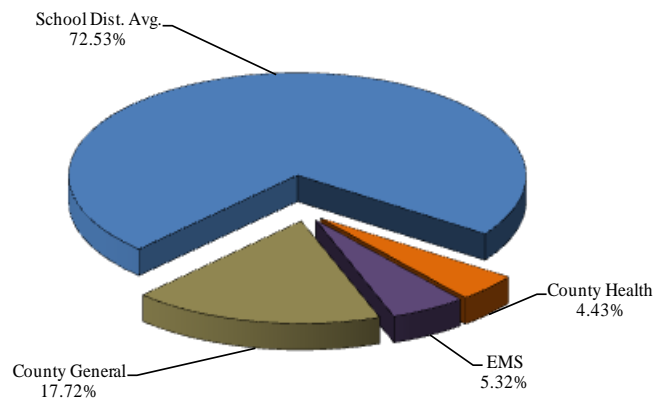
Tina Freeman

District Attorney

Mark Matloff

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

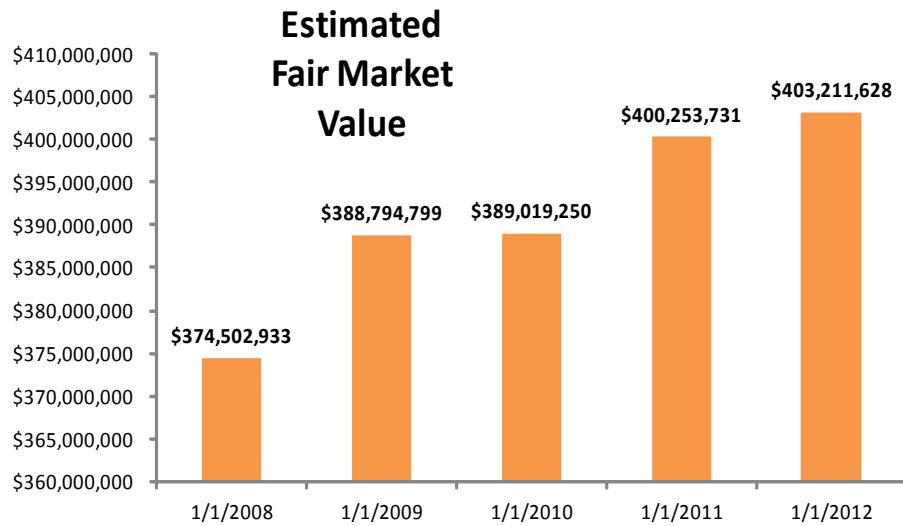
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages				School District Millages						
							Career	Career Tech		
County General	10.29			Gen.	Bldg.	Skg.	Tech	Bldg.	Common	Total
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	4.12	57.11
		Antlers	I-13	35.99	5.14	-	10.27	2.05	4.12	57.57
		Moyers	I-22	36.54	5.22	6.82	10.27	2.05	4.12	65.02
		Albion	D-2	35.75	5.11	3.70	10.27	2.05	4.12	61.00
		Tuskahoma	D-4	36.27	5.18	-	10.27	2.05	4.12	57.89
		Nashoba	D-15	35.97	5.14	-	10.27	2.05	4.12	57.55
		Stringtown	JT-7	35.00	5.00	-	-	-	4.12	44.12
		Soper	JT-4	35.00	5.00	6.56	-	-	4.12	50.68
		Smithville	JT-14	35.60	5.09	2.86	-	-	4.12	47.67
		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, 2013**

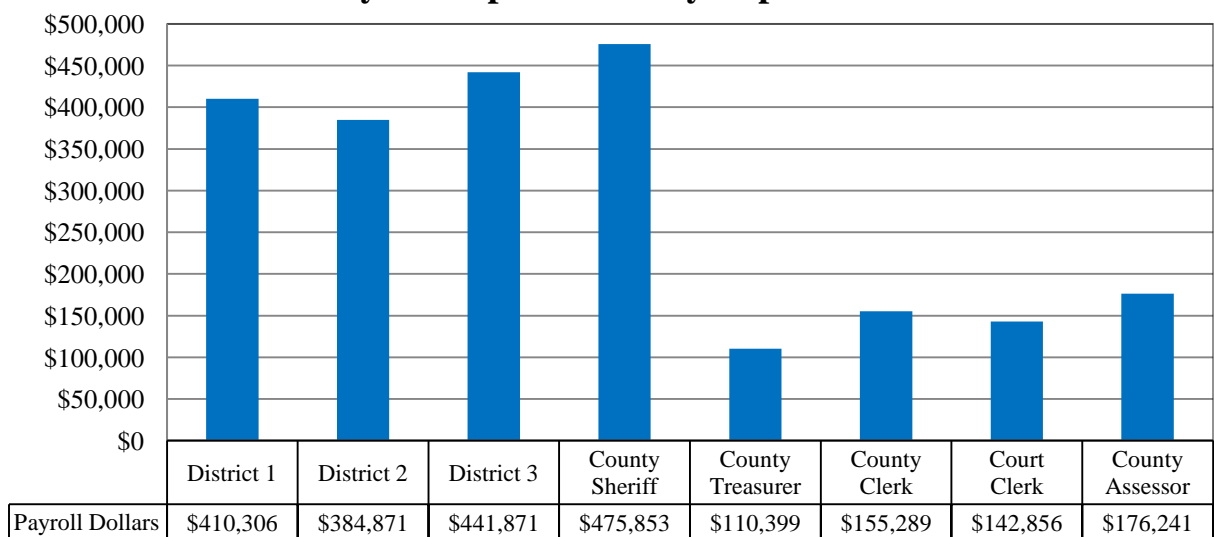
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$5,959,756	\$6,495,541	\$34,549,777	\$3,256,433	\$43,748,641	\$403,211,628
1/1/2011	\$6,634,549	\$6,869,755	\$33,295,029	\$3,260,630	\$43,538,703	\$400,253,731
1/1/2010	\$6,052,220	\$7,392,491	\$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



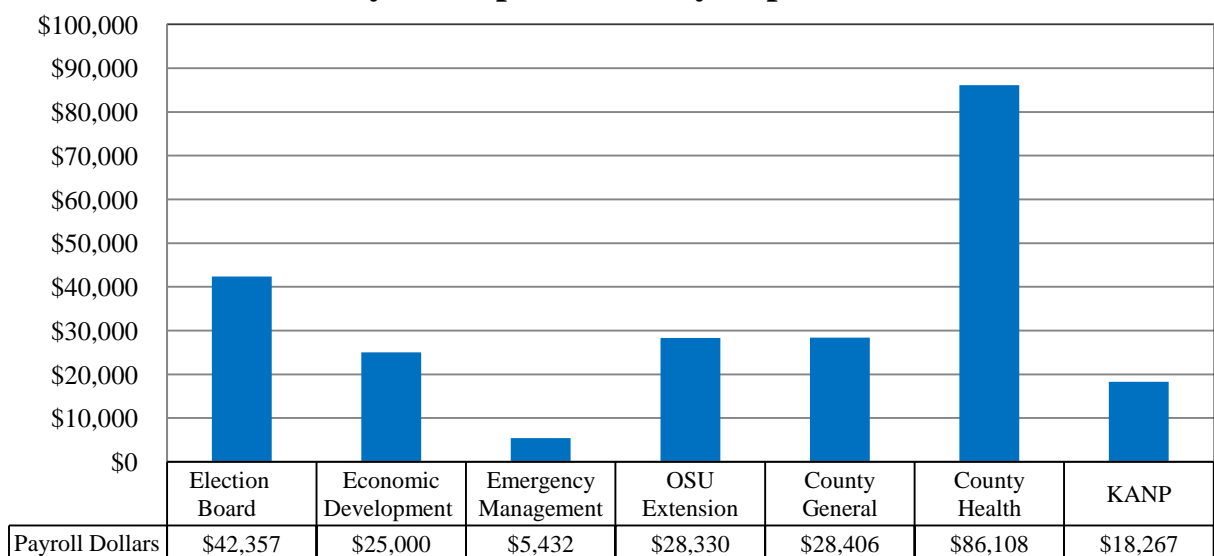
**PUSHMATAHA COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Payroll Expenditures by Department



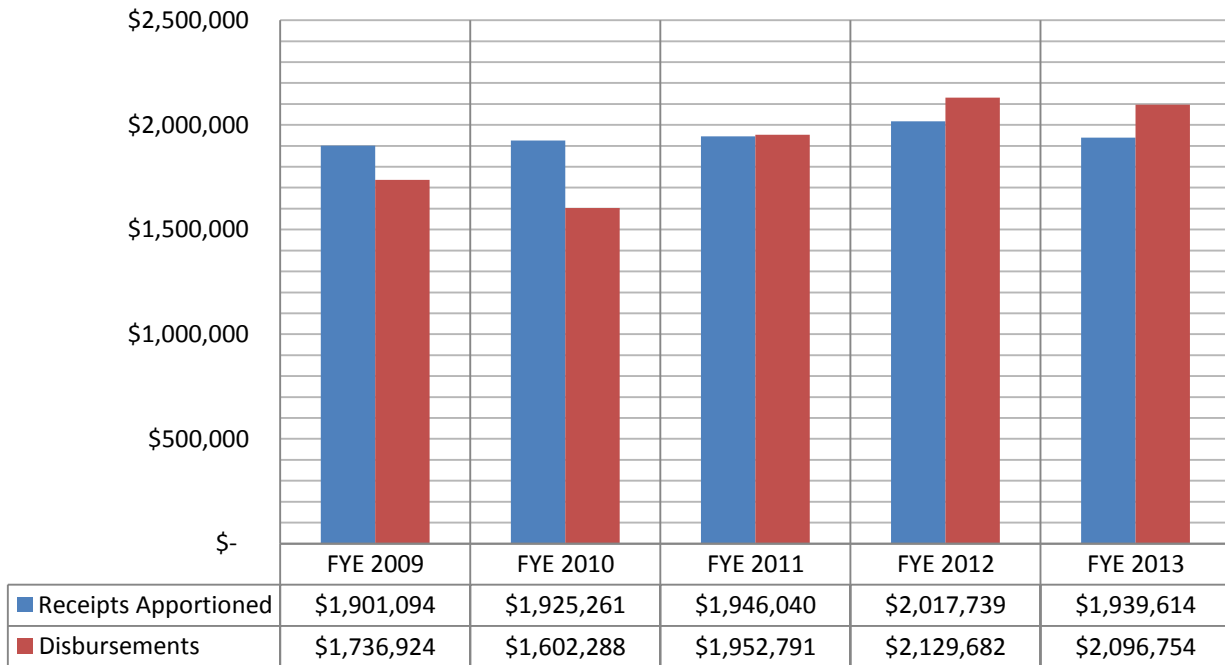
Payroll Expenditures by Department



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

County General Fund

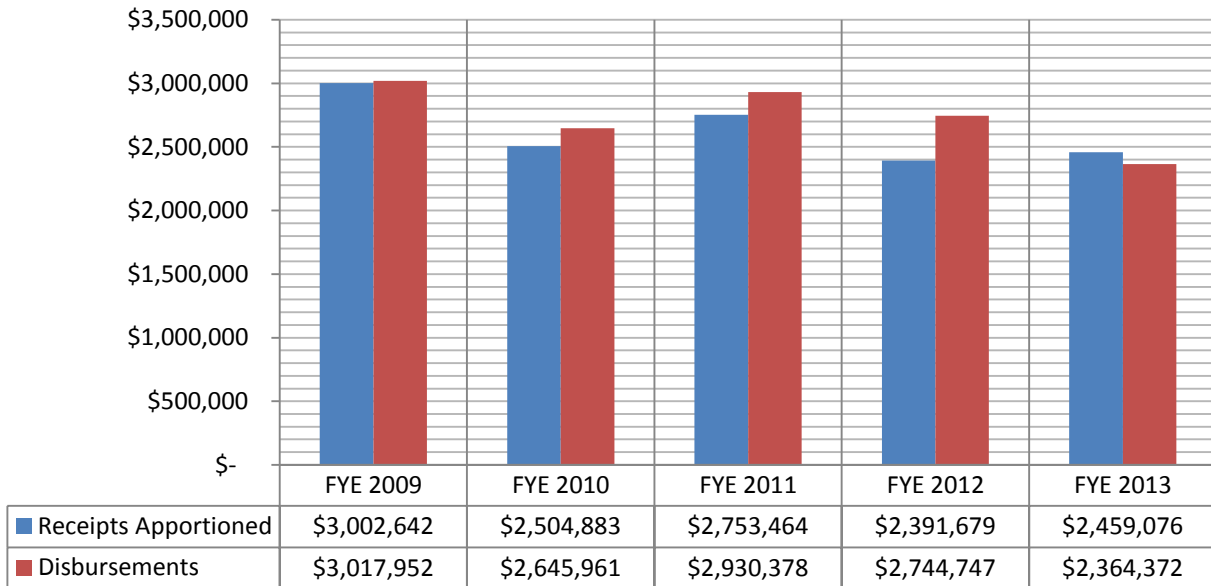
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

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



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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 1,140,643	\$ 1,939,614	\$ -	\$ -	\$ 2,096,754	\$ 983,503
County Highway	560,579	2,459,076	21,282	477	2,364,372	676,088
County Health	179,594	343,779	-	-	280,658	242,715
Sheriff Cash Service Fee	61,016	171,104	-	-	165,515	66,605
Assessor Revolving Fund	45,925	6,066	-	-	3,451	48,540
REAP	9,190	51,077	-	-	44,743	15,524
CBRI - 105	507,767	267,388	477	21,282	213,888	540,462
CBRI - 103	35,020	-	-	-	-	35,020
911 Collections	159,418	112,063	-	-	262,841	8,640
State Disaster	84,330	-	-	-	78,437	5,893
Remaining Aggregate Funds	197,016	381,447	-	-	371,692	206,771
Combined Total - All County Funds	\$ 2,980,498	\$ 5,731,614	\$ 21,759	\$ 21,759	\$ 5,882,351	\$ 2,829,761

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, 2013**

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, 2013**

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, 2013**

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

3. Other 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

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

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.

A. 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.

B. 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.

C. 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 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.

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

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.

D. Interfund Transfers

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

- \$21,282 from the CBRI - 105 fund to reimburse the County Highway fund for expenditures on bridge and road projects in Pushmataha County.
- \$477 from the County Highway Fund to the CBRI - 105 for reimbursement of 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 - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,140,643	\$ 1,140,643	\$ -
Less: Prior Year Outstanding Warrants	(67,444)	(67,444)	-
Less: Prior Year Encumbrances	(51,711)	(50,606)	1,105
Beginning Cash Balances, Budgetary Basis	1,021,488	1,022,593	1,105
Receipts:			
Ad Valorem Taxes	409,248	453,381	44,133
Charges for Services	70,715	59,799	(10,916)
Intergovernmental Revenues	1,214,760	1,417,556	202,796
Miscellaneous Revenues	7,875	8,878	1,003
Total Receipts, Budgetary Basis	1,702,598	1,939,614	237,016
Expenditures:			
District Attorney	8,000	7,988	12
County Sheriff	81,040	80,989	51
County Treasurer	56,317	56,316	1
County Commissioners	38,362	38,337	25
County Clerk	171,363	170,991	372
Court Clerk	83,754	82,982	772
County Assessor	86,746	86,342	404
Revaluation of Real Property	127,274	111,615	15,659
General Government	151,945	117,912	34,033
Excise-Equalization Board	5,648	5,323	325
County Election Expense	48,728	46,073	2,655
Co. Commissioner-Sales Tax	44,266	3,099	41,167
Economic Development-Sales Tax	89,086	35,269	53,817
Sheriff -Sales Tax	272,307	271,849	458
OSU Extension - Sales Tax	90,676	62,537	28,139
General -Sales Tax	469,758	376,406	93,352
Emergency Management	13,725	6,589	7,136
Free Fair	23,296	18,792	4,504
Hospital	413,346	402,587	10,759
Volunteer Fire - Sales Tax	441,802	105,549	336,253
County Audit Budget	6,647	-	6,647
Total Expenditures, Budgetary Basis	2,724,086	2,087,545	636,541

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, 2013

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	874,662	<u>\$ 874,662</u>
Reconciliation to Statement of Receipts,			
Disbursements, and Changes in Cash Balances			
Add: Warrants Estopped by Statute		169	
Add: Current Year Reserves		56,108	
Add: Current Year Outstanding Warrants		52,564	
Ending Cash Balance		<u>\$ 983,503</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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 179,594	\$ 179,594	\$ -
Less: Prior Year Outstanding Warrants	(4,570)	(4,570)	-
Less: Prior Year Reserves	(23,235)	(20,128)	3,107
Beginning Cash Balances, Budgetary Basis	151,789	154,896	3,107
Receipts:			
Ad Valorem Taxes	102,212	113,339	11,127
Charges for Services	228,761	228,124	(637)
Intergovernmental Revenues	-	2,316	2,316
Total Receipts, Budgetary Basis	330,973	343,779	12,806
Expenditures:			
Health and Welfare	482,762	290,044	192,718
Total Expenditures, Budgetary Basis	482,762	290,044	192,718
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	208,631	\$ 208,631
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		23,015	
Add: Current Year Outstanding Warrants		11,069	
Ending Cash Balance		\$ 242,715	

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale Property	\$ 90,872	\$ 129,701	\$ 95,992	\$ 124,581
Treasurer Mortgage Tax Fee	1,185	2,725	1,528	2,382
County Clerk Lien Fee	4,580	8,338	8,834	4,084
Assessor Visual Inspection	40	-	-	40
Sheriff Revolving	28	-	-	28
Sheriff Drug Cash Account	2,100	-	-	2,100
CDBG	-	54,500	54,500	-
KEDDO Grant	147	-	142	5
Courthouse A/C	324	-	-	324
RMP	13,037	13,495	6,128	20,404
Clayton Nutrition Center	6,936	-	896	6,040
KANP	2,857	26,263	29,120	-
SGA	24,636	-	9,900	14,736
Trash Cop	137	8	-	145
Court Clerk Payroll	11,945	60,989	66,045	6,889
Drug Court Revolving Fund	38,192	80,031	94,756	23,467
Drug Dog Account	-	5,397	3,851	1,546
Combined Total - Remaining Aggregate Funds	\$ 197,016	\$ 381,447	\$ 371,692	\$ 206,771

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of 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.

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.

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

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.

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

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

Trash Cop – accounts for state grant funds to be 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.

Drug Dog Account – accounts for donations used for the care of the drug dogs.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
PUSHMATAHA COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Pushmataha County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Pushmataha County's 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 included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-2, 2013-5, 2013-6, 2013-7, 2013-8, 2013-9, 2013-14, 2013-19, 2013-23, and 2013-31.

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 described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-3, 2013-16, 2013-17, 2013-18, 2013-20, and 2013-32.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pushmataha County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-8, 2013-19, and 2013-23.

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 Findings

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

Purpose of this Report

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

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



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

October 16, 2014

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

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

Finding 2013-1 – Inadequate County-Wide Controls (Repeat Finding)

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. 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, 2013**

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 2013-2 – Disaster Recovery Plan - County Clerk, County Treasurer, and County Assessor (Repeat Finding)

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, 2013**

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, 2013**

Finding 2013-3 – Inadequate Internal Controls Over Information Systems Security - County Clerk, County Treasurer and County Assessor (Repeat Finding)

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, 2013**

Finding 2013-5 – Inadequate Segregation of Duties over Receipting and Balancing Process (Repeat Finding)

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 2013-6 – Inadequate Segregation of Duties Over Payroll (Repeat Finding)

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, 2013**

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 2013-7 – Inadequate Segregation of Duties Over Purchasing (Repeat Finding)

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, 2013**

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 2013-8 – Inadequate Internal Controls and Noncompliance Over Purchasing

Condition: During our test of seventy-five purchase orders, we noted the following three purchase orders were not timely encumbered:

Fund	Office/District	Purchase Order Number	Amount
County General Fund	Economic Development	1053	\$25,000.00
Highway Fund	District 3	2412	\$49,459.50
Highway Fund	District 3	2922	\$39,077.25

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

Effect of Condition: These conditions resulted in noncompliance with state statutes. In addition, the County runs the risk of misappropriation of funds and the possibility of not having adequate funds available to pay for expenses incurred.

Recommendation: OSAI recommends Pushmataha County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and reviewed with proper supporting documentation attached.

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

Management Response:

County Clerk: The purchasing agent and the County Clerk will work towards following all purchasing guidelines to the best of our ability. We will encourage all officers to turn purchase orders in as soon as possible, to avoid untimely encumbered purchase orders.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government. 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 controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets.

19 O.S. § 1505.C.2 states, “The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.”

19 O.S. § 1505.C.3 states in part, “...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.”

19 O.S. § 1505.E.10 states in part, “Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report, and e. delivery document...”

Finding 2013-9 – Circumventing the Bid Process – County Commissioner District 2

Condition: Upon inquiry and observation of the bidding process and acquisition of fixed assets, the following was noted:

- On February 28, 2013, County Commissioner District 2 purchased a 1992 Ford F-350 pick-up for \$3,500.00 from a local vendor.
- On April 15, 2013, a purchase order in the amount of \$6,500.00 was requisitioned by County Commissioner District 2 for the purchase of a 1997 Ford F-450 pick-up from the same vendor the Ford F-350 pick-up, listed above, was purchased from. The purchase order reflected the cost of the F-450 pick-up was \$10,000.00, less a \$3,500.00 trade-in allowance for the F-350 pick-up purchased on February 28, 2013.
- Because the price of the F-450 was \$10,000.00, bids should have been solicited to obtain the best price for the County per state statute.

Based on the documentation of the purchase of the 1997 Ford F-450 pick-up, the following exceptions were noted:

- County Commissioner District 2 did not surplus the 1992 Ford F-350 pick-up prior to disposition.

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

- Bids were not solicited for the purchase of the 1997 Ford F-450 pick-up.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to effective internal controls over fixed assets, and the disposing of County owned equipment. Furthermore, the County did not follow the policies and procedures designed by state statutes regarding the purchasing and bid processes.

Effect of Condition: These conditions resulted in circumventing the bid statute and the possibility of inaccurate inventory records.

Recommendation: OSAI recommends that the County adhere to state purchasing, bidding laws, and disposition of fixed asset guidelines as required by statute.

Management Response:

County Commissioner District 2: I appreciate this being brought to my attention I was not aware that I had not followed the proper procedures in regard to this transaction. It will not happen again.

Criteria: Best business practices would include following the competitive bidding process to ensure the taxpayers of the County receive the best value for their tax dollars.

Title 19 O.S. § 1501(A)(3)(a) states in part, “The county purchasing agent... Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:

a. when the purchase does not exceed Ten Thousand Dollars (\$10,000.00). All purchases made pursuant to this subparagraph shall be by a single purchase order. Splitting purchase orders which would result in paying an amount in excess of the limitations specified in this subparagraph is expressly prohibited. Any person convicted of violating the provisions of this subparagraph shall be guilty of a misdemeanor and such person shall forfeit the person's position or office.”

Title 19 O.S. § 421 outlines the requirement for the disposition of county property to be entered in minutes and Title 19 O.S. § 421.1 outlines the requirements for the disposing of county property.

Furthermore, an important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process affected by an entities governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entities fixed assets inventory and safeguard fixed assets inventory from loss, damage, or misappropriation.

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

Finding 2013-14 – Purchases ‘Split’ to Circumvent Bid Requirements – County Sheriff

Condition: OSAI noted purchases made by the Sheriff’s office that do not appear to comply with bidding procedures outline in 19 O.S. § 1505(A)(3).

On June 3, 2013, the County Sheriff encumbered funds in the amount of \$9,999.00 to purchase a 2009 Ford Expedition Police Special Service Package. Funds were also encumbered in the amount of \$3,500.00 for an emergency lighting package from the same vendor on July 3, 2013.

The Sheriff stated that the items in the lighting package were installed on several of their units and none the items in of the package were installed on the 2009 Ford Expedition, as it was ready to go when they took possession of the vehicle.

OSAI contacted the vendor that sold the vehicle and lighting package to the Sheriff. In a letter dated March 27, 2014, the vendor stated he remembered selling and billing the Sheriff’s department for the vehicle and then they requested an additional lighting package to be added. The lighting package was ordered and later installed on the 2009 Ford Expedition, and a separate invoice for \$3,500.00 was prepared.

The receiving report or invoice was not itemized; therefore, OSAI was unable to verify the unit/units in which the lights were installed. Additionally, the emergency lighting package was not listed on the County’s inventory records.

Cause of Condition: The County Sheriff split purchase orders to avoid the bidding process. Policies and procedures have not been implemented to ensure all assets purchased are included on the County’s inventory.

Effect of Condition: This condition resulted in purchase orders being split to avoid the bid process and assets not being recorded as required by state statute.

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines regarding the bid process and all assets be properly recorded as required by statute. Additionally, OSAI recommends the District Attorney review this finding to determine further action necessary.

Management Response:

County Sheriff: I did not split a purchase to avoid bid requirements. The \$3,500.00 light package was installed on several of our units that had the old style halogen lights. I gave OSAI a list of the vehicles that the lights were put on and even offered to show the old lights that were taken off. It is true that the lighting package was not listed on the County inventory. I will see that this does not happen in the future.

Auditor Response: There was no documentation provided to confirm the lights purchased on July 3, 2013, were the lights installed on the list of vehicles provided by the Sheriff.

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

Criteria: Best business practices would include following the competitive bidding process to ensure the taxpayers of the County receive the best value for their tax dollars. Additionally, 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 19 O.S. § 1501(A)(3)(a) states in part, "The county purchasing agent... Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:

a. when the purchase does not exceed Ten Thousand Dollars (\$10,000.00). All purchases made pursuant to this subparagraph shall be by a single purchase order. Splitting purchase orders which would result in paying an amount in excess of the limitations specified in this subparagraph is expressly prohibited. Any person convicted of violating the provisions of this subparagraph shall be guilty of a misdemeanor and such person shall forfeit the person's position or office."

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."

Finding 2013-16 – Property Not on Tax Rolls – County Commissioner District 2

Condition: OSAI reviewed the tax rolls and receipts to verify that all elected officials taxes were current. During our examination, it was noted that County Commissioner District 2 has a cabin located on one of his parcels of property that is not on the tax roll.

Cause of Condition: The County Commissioner District 2 did not comply with 68 O.S. § 2832(A).

Effect of Condition: This condition resulted in an elected official not complying with state statute and loss of revenue for the County.

Recommendation: OSAI recommends elected officials list all property subject to ad valorem taxation as required by 68 O.S. § 2832(A).

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

Management Response:

County Commissioner District 2: I was not aware of this until your finding, because I pay all my property taxes that are billed to me. This has been corrected with the County Assessor.

Criteria: Title 68 O.S. § 2832(A) states in part, “Property subject to ad valorem taxation shall, unless otherwise provided, be listed for taxation by the owner thereof or his duly authorized agent.”

Finding 2013-17 – Work Performed without Inter-local Agreement – County Commissioner District 2

Condition: During our audit, it was brought to our attention that County Commissioner District 2 had performed work on personal property. During our review, it was noted that the work performed by the County Commissioner was on property owned by the City of Antlers and Antlers Public Schools. The work consisted of the demolition of buildings on the City and Schools’ property during the fiscal year ended June 30, 2013.

There were no inter-local agreements between the County and the City of Antlers and Antlers Public Schools at the time the work was performed. Further, there was no documentation in the Board of County Commissioners’ minutes discussing or approving the demolition of the buildings.

Cause of Condition: The County has not established policies and procedures to ensure a signed inter-local agreement has been approved prior to performing work on property owned by a city/town or school district.

Effect of Condition: This condition resulted in noncompliance with state statute and the possibility of the misappropriation of assets.

Recommendation: OSAI recommends the County enter into an inter-local agreement with a city/town or school district as required by 19 O.S. § 339 prior to performing any work.

Management Response:

County Clerk: We will approve individual inter-local agreements each year for schools and towns.

County Commissioner District 2: We have corrected our inter-local agreements and will keep them updated.

Criteria: Title 19 O.S. § 339(A)(17) states, “The board of county commissioners shall have power: To utilize county-owned equipment, labor and supplies at their disposal on property owned by the county, public schools, two-year colleges or technical branches of colleges that are members of The Oklahoma State System of Higher Education, the state and municipalities according to the provisions of Section 36-113 of Title 11 of the Oklahoma Statutes. Cooperative agreements may be general in terms of routine

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

maintenance or specific in terms of construction and agreed to and renewed on an annual basis. Work performed pursuant to Section 36-113 of Title 11 of the Oklahoma Statutes shall comply with the provisions of this section;”

Finding 2013-18 – County Equalization/Excise Board Member Serving as a City Council Member

Condition: During our audit, it was brought to our attention that an Equalization/Excise Board Member was also serving as a City Council Member for the City of Antlers. During our review of the Equalization/Excise, the County Commissioners, and the City Board minutes, the following was noted:

- On October 3, 2011, this individual was appointed to fill the unexpired term of a city council member and has remained as a council member.
- On September 3, 2013, the Board of County Commissioners, unanimously, approved the appointment of this individual to the Equalization/Excise Board.
- On February 24, 2014, the Board of County Commissioners, unanimously, approved the removal of this individual from the Excise Board.

Based on the documentation, the individual was serving as a County Equalization/Excise Board Member and City Council Member at the same time which is a violation of 68 O.S. § 2861 and 68 O.S. § 3005.1.

Cause of Condition: Policies and procedures have not been designed to ensure compliance with 68 O.S. § 2861 and 68 O.S. § 3005.1.

Effect of Condition: This condition resulted in an individual illegally serving as an Equalization/Excise Board Member.

Recommendation: OSAI recommends the County implement procedures to ensure any individual appointed to the Equalization/Excise Board meet all qualifications. Additionally, OSAI recommends the District Attorney review this finding to determine further action necessary.

Management Response:

Chairman, Board of County Commissioners: We, the Board of County Commissioners, appointed the County Excise Board Member on September 3, 2013 and on February 24, 2014 it was brought to the Board’s attention that we were in violation of state statutes. We, the Board, unanimously voted to remove that Excise Board Member immediately. In the future, the Board will be more cautious in our appointments to ensure we are in compliance with state statutes.

Criteria: Title 68 O.S. § 2861 states, “A. A county board of equalization is hereby created for each county in the state. Said board shall consist of three (3) members.
B. Members of the county board of equalization shall be appointed as follows:
1. One member shall be appointed by the Oklahoma Tax Commission;
2. One member shall be appointed by the board of county commissioners; and

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

3. One member shall be appointed by the district judge or a majority of the district judges in all judicial districts where more than one district judge is elected.

D. The qualifications of the members of the county board of equalization shall be as follows:

1. The member must be a qualified elector and resident of the county;
2. The member may not hold an elected office of the state, county, school district or municipal subdivision;
3. The member may not file for any elected office of the state, county, school district or municipal subdivision without first resigning from the county board of equalization; and

H. Any person violating any of the provisions of this section shall be deemed guilty of a felony, and upon conviction thereof shall be punished by a fine of not less than Two Hundred Dollars (\$200.00) and not more than One Thousand Dollars (\$1,000.00) or by imprisonment in the State Penitentiary for not less than six (6) months or more than two (2) years, or by both such fine and imprisonment.

Title 68 O.S. § 3005.1 A states in part, “A county excise board is hereby created for each county in the state, to be composed of the members of the county board of equalization as created in Section 2861 of this title.”

Finding 2013-19 – Bids Were Not Solicited for County Expenditures Related to Dozer Services in the Amount of \$46,450 (27 Month Period) – County Commissioner District 2 (Repeat Finding)

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.

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

- 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
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

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

Purchase Order Number	Purchase Order Date	Invoice Date	Warrant Number	Amount Paid	Hours Worked	Rate Per Hour
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	

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.

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

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 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

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

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 2013-20 – 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 (Repeat Finding)

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.
- 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.

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

- 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.
- 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.

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

- 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 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

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

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...”

Finding 2013-23 – Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Condition: During the months of December 2012 and January 2013, the County had unsecured deposits of \$353,053.95 and \$570,264.01, respectively.

Cause of Condition: Procedures have not been designed to ensure daily bank deposits are adequately secured.

Effect of Condition: This condition resulted in noncompliance with state statute and could result in unsecured County funds and possible loss of County funds.

Recommendation: OSAI recommends that the County design procedures to compare bank balances to the pledged collateral ledgers daily to ensure that county funds are adequately secured against loss by a financial institution. Documentation for this daily procedure should be maintained.

Management Response:

County Treasurer: I will ask the banks to help me monitor the account balances on a daily basis.

Criteria: Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local

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

Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

Further, good internal controls would include monitoring the daily bank balances to the amount of securities pledged to protect the County against loss of investments.

Finding 2013-31 – Purchase of Tires for Personal Vehicle – County Commissioner District 2

Condition: During the course of our audit, it was brought to our attention that County Commissioner District 2 had requisitioned a purchase order for the amount of \$850.00 for the purchase of a Honda motor and a diesel pump; however, these items were not actually purchased. We obtained purchase order number 600 issued to a local vendor for these items. The invoice attached reflected the purchase of the motor and pump at a cost of \$475.00 and \$375.00, respectively.

During subsequent interviews with the vendor, we were told that the County Commissioner District 2 instructed him to complete an invoice listing a Honda motor and a diesel pump instead of the four tires that were actually purchased. He stated the Commissioner said to do it this way because he did not have the six-month bid for tires and that he had both of these items at his county barn. The vendor also stated the County Commissioner District 2 took the tires at the time of purchase, Cooper Discoverers A/T3 LT275/65/R18, and then later returned with a set of four Cooper Discoverers A/T3 LT275/65/R18 that were mounted on the Commissioner’s personal vehicle.

While interviewing the County Commissioner District 2, he stated that he had gone to the vendor’s tire shop to purchase tires for his personal vehicle. While there the motor and pump were sitting in the tire shop and the vendor asked him if he would be interested in purchasing them. He told the vendor yes because one of their vehicles was involved in an accident and they needed the motor. He stated that he paid cash for the tires purchased for his personal vehicle and he did not have a receipt for them.

OSAI verified that Cooper Discoverers A/T3 LT275/65/R18 tires were mounted on the Commissioners personal vehicle.

Cause of Condition: It appears documentation was falsified to obtain items for personal use.

Effect of Condition: This condition appears to have resulted in misappropriation of County funds.

Recommendation: OSAI recommends that the District Attorney review this finding to determine the necessary action to be taken.

Management Response:

County Commissioner District 2: I disagree with your findings and will have more information after I meet with our District Attorney.

Auditor Response: The finding documents the statements from the vendor and Commissioner as to what

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

was purchased. Additionally, information concerning the purchase of tires for the Commissioner's personal vehicle was requested, but County Commissioner District 2 did not provide any documentation.

Criteria: Good internal controls require monitoring of expenditures and all related supporting documentation to ensure that County funds are not abused or used for personnel gain.

Finding 2013-32 – County Equipment Items Sold and Later Repurchased

Condition: During the course of our audit, it was brought to our attention that in June 2014, County Commissioner District 2 purchased a tilt deck backhoe trailer and a 1986 International oil distributor truck, previously owned by the County, from a local vendor at a cost of \$2,500.00 each. OSAI reviewed the County's fixed asset records, Board minutes, and miscellaneous receipts noting the following:

- On September 26, 2011, District 3 sold a surplus tilt deck backhoe trailer for \$450.00.
- On July 9, 2012, District 3 sold a surplus 1986 International truck/oil distributor for \$600.00.
- On June 18, 2014, County Commissioner District 2 requisitioned a purchase order for the purchase of the tilt deck backhoe trailer and 1986 International truck/oil distributor, listed above, at a cost of \$2,500.00 each.
- The County had the title for the 1986 International truck in their possession. It was not transferred to the individual that purchased the vehicle in July 2012.
- On August 25, 2014, the title was signed by District 2 and 3 Commissioners transferring the title from District 3 to District 2.

Although the County went through the proper procedures to sell and purchase the equipment, the Commissioners did not communicate in such a manner to ensure the County utilized the assets in their possession to best serve the citizens of Pushmataha County.

Cause of Condition: Lack of communication between County Commissioners regarding efficient utilization of County assets.

Effect of Condition: This condition resulted in County funds being expended on items that the County had previously owned.

Recommendation: OSAI recommends that the County Commissioners act on behalf of the best interest of the County and periodically review fixed asset inventories. If machinery or equipment is no longer needed in one district, the other two districts should determine whether the inventory item would be needed in other districts. Efficient utilization of County fixed assets would prevent the sale of fixed assets at a lower dollar amount only to be repurchased later at a higher price.

Management Response:

County Commissioner District 1: In 2011, District 3 surplused and sold equipment that was approved in the Board of County Commissioner's meeting. At the time I was not aware of anyone else needing the equipment. I was not aware that District 2 had repurchased the same equipment until the purchase orders

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

were presented at the regular Board of County Commissioners meeting. I was also not aware that the title had never been taken out of the County's name. Going forward, we will make a request that all surplus equipment sold is brought to the attention of the Board to conserve the tax dollars of citizens and when equipment is sold and payment is made by the vendor that all titles will be transferred at that time.

County Commissioner District 2: I agree with your finding that there is not enough communication between elected officials.

County Commissioner District 3: I was not the Commissioner at the time this occurred.

Criteria: 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 others 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.

Finding 2013-33 – Inadequate Internal Controls and Noncompliance Over Fuel Purchases – County Sheriff

Condition: During our examination of the County Sheriff's office fuel purchases, OSAI noted there was a lack of internal controls over the use of the fuel cards. A fuel card and authorization code is assigned to a vehicle, which all deputies have access to the cards and authorization codes. Additionally, a fuel card can be removed from the assigned vehicle to make fuel purchases for another vehicle.

Additionally, information was provided on fuel card statements to flag possible misuse of the fuel cards by listing an exception code on the statement for:

- Vehicle is restricted from purchasing this fuel.
- Vehicle has exceeded its daily transaction limit.
- Odometer entry being out of sequence.

There was no evidence to document that exceptions were investigated and were being reviewed by the Sheriff's office for accuracy or appropriate use. Additionally, the fuel receipts were not signed by the individual making the purchase.

Furthermore, OSAI noted that bids were not solicited for the purchase of fuel as required by 19 O.S. § 1505 B.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to effective internal controls over the use of fuel cards and to ensure purchasing procedures are followed.

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

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

Recommendation: OSAI recommends that the County Sheriff implement policies and procedures to ensure fuel is being purchased for authorized use, which would include assigning each deputy a personal authorization code for the purchase of fuel. The deputies shall enter their personal code in conjunction with the fuel card for the vehicle that they are purchasing fuel. OSAI recommends that the County Sheriff's office review vendor statements for any discrepancies in odometer reading, fuel amounts pumped, type of fuel, and frequency of fuel purchases. Further, OSAI recommends that fuel receipts be signed by the deputy making the purchase. Additionally, OSAI recommends that the County comply with state statute by soliciting bids for the fuel or utilizing state approved fuel cards.

Management Response:

County Sheriff: Fuel cards with individual codes are issued to Deputies however when the unit they are driving breaks down they may use the fuel card in another unit. This will without a doubt cause out of sequence odometer readings on the fuel card statements. I do my best to monitor statements for discrepancies in odometer readings, amount pumped, and frequency of fuel purchased. I am also checking with our County Clerk about purchasing fuel through state contract.

Auditor Response: Good internal controls should include issuing a fuel card to each vehicle and a personal identification number to each Deputy. Also, the fuel receipts for individual purchases should be signed by the Deputy making the purchase.

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 fuel cards, and safeguarding county funds from loss or misappropriation.

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

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

Finding 2013-24 – Inadequate Segregation of Duties – Court Clerk (Repeat Finding)

Condition: The following concerns were noted in regard 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.

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

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.

Finding 2013-27 – Inadequate Internal Controls Over Signature Stamps – Court Clerk (Repeat Finding)

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.

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

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 2013-28 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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.

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.

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

- 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. 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 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

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

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.”

Finding 2013-30 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories

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

- District 2 is maintaining a fuel log; however, the fuel log does not have a balance and is not reconciled to the actual fuel on hand. The District does not prepare and maintain consumable cards for gravel.

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

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

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

- Performing and documenting a periodic physical count of inventory.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments

Management Response:

District 2 County Commissioner: We are working with the fuel company to maintain a better fuel chart for our tanks. We have contacted them and they responded quickly by measuring our tanks themselves, as did we. We started using another fuel chart, on October 31, 2013, that measures more accurate with our measurements. We are measuring fuel more frequently and keeping a better log than before. We also, started using a consumable stock card record for fuel measurements, usage, and receiving.

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

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



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