



CHEROKEE COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**CHEROKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.

November 8, 2021

TO THE CITIZENS OF
CHEROKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cherokee County, Oklahoma for the fiscal year ended June 30, 2019. 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**CHEROKEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Doug Hubbard

District 2 – Mike Brown

District 3 – Clif Hall

County Assessor

Marsha Trammel

County Clerk

Cheryl Trammel

County Sheriff

Norman Fisher

County Treasurer

Patsy Stafford

Court Clerk

Lesa Rousey Daniels

District Attorney

Jack Thorpe

**CHEROKEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

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)..... 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 14

 Note to Supplementary Information..... 15

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
Government Auditing Standards..... 16

Schedule of Findings and Responses..... 18

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CHEROKEE 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 Cherokee County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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, the financial statement is prepared by Cherokee 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 statement 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 Cherokee County as of June 30, 2019, or changes in financial position for the year then ended.

Unmodified 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 Cherokee County, for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary 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 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 supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Cherokee County has not presented the budgetary comparison information for the Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund. Although not a part of the financial statement, such information is an integral part of the regulatory presentation for county government.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2021, on our consideration of Cherokee 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

REGULATORY BASIS FINANCIAL STATEMENT

CHEROKEE COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
Combing Information:						
County General Fund	\$ 1,410,275	\$ 3,441,763	\$ 688,521	\$ 851,690	\$ 3,803,602	\$ 885,267
Highway	2,670,280	3,064,474	282,864	395,776	2,801,801	2,820,041
County Health	599,579	323,018	-	-	372,893	549,704
Sales Tax	2,651,813	4,336,359	-	64,417	3,964,717	2,959,038
Fire Department Sales Tax	1,345,970	1,003,831	-	78,068	814,300	1,457,433
Use Tax	777,262	619,065	877,763	406,292	293,190	1,574,608
CBRI 105	1,460,256	390,122	-	-	205,967	1,644,411
911 Emergency	111,047	59,539	48,000	102	134,379	84,105
911 Wireless	170,810	388,296	5,142	309	355,690	208,249
Cherokee County Flood Plain	19,436	4,670	-	-	9,447	14,659
Sheriff Auction Fund	10,685	-	-	-	-	10,685
Community Service	36,324	8,815	-	1,902	9,220	34,017
Solid Waste Fund	51,563	306,216	-	14,427	256,236	87,116
Sheriff Drug Forfeiture	9,889	8,735	-	-	-	18,624
Department of Corrections	10,529	38,586	-	-	45,615	3,500
Fairgrounds	1,755	9,350	-	-	7,381	3,724
Eastern Oklahoma Development District-EODD	4,633	32,864	-	32,864	4,633	-
Preservation Fund	146,848	45,943	-	-	26,575	166,216
Boot Camp Fund	25,821	75,588	-	3,222	74,373	23,814
Local Emergency Planning Committee-LEPC	1,000	1,000	-	-	800	1,200
Governmental Building Authority Interest	15	11	-	-	-	26
Sheriff Drug Buy Fund	6,352	1,000	-	-	2,500	4,852
County Health Cash	100	-	-	-	-	100
Resale Property	551,004	346,310	68,515	3,087	304,282	658,460
Treasurer Mortgage Certification Fee	42,088	7,906	-	-	4,077	45,917
Sheriff Service Fee	105,335	265,101	2,400	1,714	263,894	107,228
County Clerk Lien Fee (CCLF)	17,011	34,211	-	-	21,903	29,319
County Treasurer Cash	500	-	-	-	-	500
Keys Community Building	7,695	2,635	-	-	7,575	2,755
County Assessor Cash	6	-	-	-	-	6
Corps of Engineers	14,372	38,940	-	-	47,171	6,141
County Assessor Revolving Fund	20,584	2,644	-	-	-	23,228
Juvenile Drug Court	51	-	-	-	-	51
Governmental Building Authority	4,847,733	2,179,934	-	50,820	1,777,338	5,199,509
Community Building Fund	880	12,400	-	-	9,811	3,469
Mental Health Court Fund	89,087	4,167	-	-	6,090	87,164
Combined Total - All County Funds, as Restated	\$ 17,218,588	\$ 17,053,493	\$ 1,973,205	\$ 1,904,690	\$ 15,625,460	\$ 18,715,136

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Cherokee 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 libraries, 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 revenues from ad valorem taxes, officers' fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway – accounts for state, local, and miscellaneous receipts and disbursements 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.

Sales Tax – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Fire Department Sales Tax – accounts for sales tax monies collected for the funding of fourteen fire districts within Cherokee County. Disbursements are for the fire protection of Cherokee County.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Use Tax – accounts for the collection of use tax remitted to the County by the Oklahoma Tax Commission. Disbursements are for any function of county government as designated by the County Commissioners.

CBRI 105 – accounts for revenue received from the Oklahoma Department of Transportation. Monies are earmarked for bridges, roads, and certain improvement of roads.

911 Emergency – accounts for fees collected by local telephone land line providers in Cherokee County. Disbursements are for the operation of the enhanced emergency telephone system.

911 Wireless – accounts for fees collected by local wireless service providers in Cherokee County. Disbursements are for the operation of the enhanced emergency telephone system.

Cherokee County Flood Plain – accounts for revenues from monies paid to the County Clerk when a piece of property sells, and a five-dollar fee must be paid for maps to determine if the property is in a flood plain. Disbursements are for payroll of employees issuing permits.

Sheriff Auction Fund – accounts for revenue from proceeds from property forfeiture auctions. Disbursements are used to make improvements to the gun range.

Community Service – accounts for revenue from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Program.

Solid Waste Fund – accounts for revenue from solid waste fees from the three transfer stations. Disbursements are used to pay fees and employee payroll.

Sheriff Drug Forfeiture – accounts for proceeds from forfeited drug cases. Disbursements are for the maintenance and operation of the Sheriff's Drug Task Force for the enforcement of controlled dangerous substance laws.

Department of Corrections – accounts for monies received from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Sentencing Program.

Fairgrounds – accounts for revenue from the rental for the fairgrounds. Disbursements are for maintenance and operation of the fairgrounds.

Eastern Oklahoma Development District-EODD – accounts for revenues awarded to the County through the Eastern Oklahoma Development District grants for special projects.

Preservation Fund – accounts for revenue from fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Boot Camp Fund – accounts for revenue for monies received from the public schools and a federal grant passed through the County. Disbursements are used to pay Boot Camp officer's salary.

Local Emergency Planning Committee-LEPC – accounts for grant monies received from the Department of Environmental Quality. Disbursement of funds are restricted to the grant agreement.

Governmental Building Authority Interest – accounts for revenue from interest earned on governmental building fund monies. Disbursements are for acquiring, constructing, equipping, operating, and maintaining county jail facilities and parking facilities.

Sheriff Drug Buy Fund – accounts for revenues from monies seized and forfeited to the Sheriff's office. Disbursements are for the enforcement of drug laws.

County Health Cash – accounts for monies kept in the cash drawers for change fund.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem taxes and the disposition of the same as restricted by state statute.

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

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

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

County Treasurer Cash – accounts for monies kept in the cash drawers for change fund.

Keys Community Building – accounts for revenue from the rental of the Keys Community Building. Disbursements are for maintenance and operation of the building.

County Assessor Cash – accounts for monies kept in the cash drawers for change fund.

Corps of Engineers – accounts for funding provided by the Corps of Engineers. Disbursements are for the expense of a Sheriff's patrol on corps land and lakes.

County Assessor Revolving Fund – accounts for revenues from fees collected by the County Assessor. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Juvenile Drug Court – accounts for revenues from the State of Oklahoma to reimburse the salary of the juvenile drug court administrator and monthly fees collected by the administrator. Disbursements are for the salary of the juvenile drug court administrator and supplies.

Governmental Building Authority – accounts for sales tax monies collected for acquiring, constructing, equipping, operating, and maintaining new county jail facilities, and parking facilities. Disbursements are for acquiring, constructing, equipping, operating, and maintaining these facilities.

Community Building Fund – accounts for revenue from the rental of the Community Building. Disbursements are for maintenance and operation of the building.

Mental Health Court Fund – accounts for funds received from Oklahoma Department of Mental Health and Substance Abuse Services to be expended for the maintenance and operation of the Mental Health Drug Court.

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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be 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 not 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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

D. Sales Tax

On September 15, 1998, the voters of Cherokee County approved a one-quarter percent (1/4%) sales tax designated for the purpose of providing funding for the fire departments in the following communities: Chicken Creek, Cookson, Gideon, Hulbert, Illinois River, Keys, Lowery, Norwood, Peggs, Sparrow Hawk, Spring Valley, Tahlequah, Welling, and Woodall or others hereinafter established, for such fire protection as may be deemed necessary by the Board of County Commissioners. There is no expiration date on this sales tax. These funds are accounted for in the Fire Department Sales Tax fund.

On February 24, 2004, the voters of Cherokee County approved a three-fourth of one percent (3/4%) sales tax. This sales tax is to be used solely to pay for acquiring, constructing, equipping, operating, and maintaining new county jail facilities and parking facilities on behalf of the County by the Cherokee County Governmental Building Authority, providing one-half of one percent (1/2%) shall be levied until repealed by a majority of the voters of Cherokee County and providing that the remaining one-fourth of one percent (1/4%) for the indebtedness of the Cherokee County Governmental Building Authority. This one-fourth of one percent (1/4%) shall expire when the indebtedness is paid or by June 30, 2014, whichever comes first. These funds are accounted for in the Governmental Building Authority fund.

On April 1, 2008, the voters of Cherokee County approved a continuation of a one percent (1%) sales tax. The proceeds of the tax are used as follows: 50% for county roads, 15% for law enforcement, 25% for general county operations, including extension services and 4-H clubs, and 10% for grant matching funds, and provided further that said sales tax shall become effective January 1, 2009 and shall be levied on a permanent basis or until repealed by a majority of electors of Cherokee County in an election called for that purpose. These funds are accounted for in the Sales Tax fund and County General Fund.

E. Interfund Transfers

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

- \$400,000 was transferred from the Use Tax fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$400,000 was transferred from the County General Fund to the Use Tax fund for repayment of the loan from fiscal year 2018.
- \$400,000 was transferred from the County General Fund to the Use Tax fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$250,000 was transferred from the Emergency and Transportation Revolving Fund, a trust and agency fund, to the Highway fund as a loan used for bridge and road projects in the County.
- \$250,000 was transferred from the Highway fund, to the Emergency and Transportation Revolving Fund, a trust and agency fund, for repayment of a loan used for bridge and road projects in the County.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- \$68,515 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131.
- \$209,347 was transferred from the following funds to the County General Fund for reimbursement of workers compensation insurance premiums:
 - \$102 from the 911 Emergency fund.
 - \$3,222 from the Boot Camp Fund.
 - \$1,902 Community Service fund.
 - \$62,437 the Sales Tax fund.
 - \$14,427 the Solid Waste Fund.
 - \$120,656 from the Highway fund.
 - \$6,292 from the Use Tax fund.
 - \$309 the 911 Wireless fund.
- \$28,354 was transferred from the Fire Department Sales Tax fund to the County General Fund for services provided.
- \$50,820 was transferred from the Governmental Building Authority fund to the County General Fund to repay costs associated with an employee processing purchase orders for the authority.
- \$32,864 was transferred from the Eastern Oklahoma Development District-EODD fund to the Highway fund for reimbursements.
- \$48,000 was transferred from the Fire Department Sales Tax fund to the 911 Emergency fund for services provided.
- \$2,400 was transferred from the Resale Property fund to the Sheriff Service Fee fund for services provided.
- \$51,690 was transferred from the County General Fund to the Use Tax fund for reimbursements.
- \$25,120 was transferred from the Highway fund to the Use Tax fund for reimbursements.
- \$687 was transferred from the Resale Property fund to the Use Tax fund for signs from the County's sign shop.
- \$266 was transferred from the Sales Tax fund to the Use Tax fund for signs from the County's sign shop.
- \$1,714 was transferred from the Sales Tax fund to the 911 Wireless fund for licensing and software support.
- \$1,714 was transferred from the Sheriff Service Fee fund to the 911 Wireless fund for licensing and software support.
- \$1,714 was transferred from the Fire Department Sales Tax fund to the 911 Wireless fund for licensing and software support.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Mental Health Court Fund was reclassified as a county fund.

Prior year ending balance, as reported	\$17,129,501
Funds reclassified to County Funds:	
Mental Health Court Fund reclassified from a	
Trust and Agency Fund to a County Fund	<u>89,087</u>
Prior year ending balance, as restated	<u>\$17,218,588</u>

SUPPLEMENTARY INFORMATION

CHEROKEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 808,955	\$ 432,033	\$ 376,922
Total Expenditures, Budgetary Basis	\$ 808,955	\$ 432,033	\$ 376,922

**WAGONER COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the Health 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 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.

The Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund present comparison 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 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.

INTERNAL CONTROL AND COMPLIANCE SECTION

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
CHEROKEE 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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Cherokee County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Cherokee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 25, 2021.

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, 2019, 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 Cherokee 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 Cherokee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee 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: 2019-001, 2019-003, 2019-004, 2019-007, and 2019-009.

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: 2019-006 and 2019-010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee 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 an instance 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 item 2019-007.

Cherokee County's Response to Findings

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

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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 25, 2021

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-001 – Lack of County–Wide Internal Controls (Repeat Finding 2008-003, 2009-002, 2010-002, 2011-002, 2012-001, 2013-001, 2014-001, 2017-001, 2018-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Risk Assessment and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which 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 and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement 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 of the Board of County Commissioners, County Clerk and County Treasurer: We had previously obtained a county-wide internal controls handbook and checklist from another county to implement a policy for county-wide controls regarding risk assessment and monitoring, but never completed it. We will get an updated version drafted and in place in the near future and will be diligent in having our meetings quarterly.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

Definition of Internal Controls

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2019-003 – Lack of Internal Controls Over the Collection, Apportionment, and Cash Balances Processes of the County Treasurer

Condition: During our review of the County’s collection, apportionment, and cash balances processes, the following weaknesses were noted:

- No mail log is maintained.
- There is no indication of review of bank deposits to ensure accuracy.
- One employee has the ability to issue receipts, void receipts, perform overall balancing, prepare the deposit, take the deposit to the bank, prepare the daily report, prepare the monthly report, prepare the financial statement and perform bank reconciliations.

Cause of Condition: Policies and procedures have not been designed and implemented to separate key functions and processes among various employees in the office, to have levels of review over the processes performed, and to ensure accurate and proper accounting of funds.

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

Recommendation: OSAI recommends that management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. OSAI recommends designing and implementing internal controls that are critical functions of the office and having management review and approval of accounting functions.

Management Response:

County Treasurer: A mail log is not maintained; however, every piece of mail received is date stamped upon arrival and is worked that day unless there is an issue/question that cannot be resolved. During tax season mail is maintained by dates received and worked in that order.

Beginning March 18, 2021 each deposit is reviewed, initialed, and dated by someone other than the preparer.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

If an employee has a receipt that needs to be voided, another employee must review and then approve the void on the cash register transaction. The employee that does the overall balancing, prepares the deposit, but another employee reviews the deposit, initials, and dates. Both employees in bookkeeping prepare deposits, and alternate taking deposit to the bank. Once the bank receipts are returned to the Treasurer's office, the two employees review the deposit receipts which the other employee prepared and initial and date.

The daily and monthly report are reviewed, initialed, and dated by someone other than the preparer. Both bookkeeping employees perform bank reconciliations and they are reviewed, initialed, and dated by the Treasurer or Deputy Treasurer. The financial report is prepared by the senior bookkeeping employee, reviewed, initialed, and dated by the Treasurer or Deputy Treasurer.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2019-004 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2012-008, 2013-009, 2014-010, 2017-006, 2018-005)

Condition: Based on our documentation of controls, reconciliations are not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger.

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

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger on a monthly basis and are accurate. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

Management Response:

County Clerk and County Treasurer: We are now performing reconciliations between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger and someone other than the preparer is reviewing and documenting that review since November 2019. We are also using SA&I form 4315 to reconcile each fund.

Criteria: The GAO Standards 16.05 states, in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Finding 2019-006 – Lack of Internal Controls and Noncompliance Over Sales Tax Apportionments and Disbursements (Repeat Finding 2017-004, 2018-004)

Condition: Upon inquiry, observation, and review of sales tax collections and disbursements, we noted the following:

- The calculations of sales tax collections performed and apportioned by the County Treasurer are not reviewed or approved by someone other than the preparer.
- Sales tax revenues that are apportioned to the Sales Tax fund, and Governmental Building Authority (GBA) fund are co-mingled with other revenue sources. In addition, those other revenues in GBA fund are considered trust and agency funds and are not county funds.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- The disbursements from the Governmental Building Authority fund are approved by the Authority Board instead of the Board of County Commissioners.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 68 O.S. § 1370(I) and Attorney General Opinion 2014 OK AG 15.

Effect of Condition: These conditions resulted in noncompliance with state statute and the AG Opinion. Further, a single person having responsibility for recording, authorization, custody of assets, and execution of transactions without management oversight could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: The most effective controls lie in management’s overseeing of office operations and a periodic review of operations. OSAI recommends designing and implementing internal controls that are critical functions of the office and having management review and approval of accounting functions. Also, documentation and evidence of management reviewing these ledgers and reports should be retained in the County Treasurer’s office. Furthermore, other forms of revenues should not be co-mingled with sales tax revenues and revenues that belong to the Governmental Building Authority fund should be accounted for separately from the County sales tax money. Additionally, the Board of County Commissioners should approve all county disbursements.

Management Response:

County Treasurer and County Clerk: Beginning May 2021, the sales tax calculations performed and apportioned by the County Treasurer’s office will be reviewed, approved, and dated by the preparer and the County Treasurer or 1st Deputy. Then the document(s) will be presented to the Board of County Commissioners’ Secretary to be reviewed, approved, and dated.

Sales tax revenues are no longer co-mingled with other revenue sources. Governmental sales tax monies are appropriated to the Jail sales tax fund and then a purchase order is obtained and approved by the Board of County Commissioners and sent to the Governmental Building Authority.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Title 68 O.S. § 1370(I), states in part... “Each such revolving fund shall be designated for a particular purpose and shall consist of all monies generated by such sales tax which are designated for such purpose. Monies in such funds shall only be expended for the purposes specifically designated as required by this section. A county sales tax revolving fund shall be a continuing fund not subject to fiscal year limitations.”

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd of County Comm'rs, 1943 OK 245 ¶ 11, 33 P.2d 477, 479.

Finding 2019-007 – Lack of Internal Controls and Noncompliance Over Investments

Condition: Upon inquiry of County personnel, it was noted that there was not an investment policy approved by the Board of County Commissioners to authorize the County Treasurer to make investments for fiscal year 2019.

Cause of Condition: Policies and procedures have not been developed to ensure compliance with state statute.

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

Recommendation: OSAI recommends the Treasurer prepare and present to the Board of County Commissioners an annual investment resolution for their approval at the beginning of each new fiscal reporting period in accordance with 62 O.S. § 348.1(A).

Management Response:

County Treasurer: Cherokee County does have an investment policy; however, it was not presented to the Board of County Commissioners for their approval for fiscal year 2019. It will certainly be presented for approval each year in the future.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to ensure the County is in compliance with applicable state statutes.

Title 62 O.S. § 348.1(A) states in part, “A. Except as otherwise provided for by law, a county treasurer, when authorized by the board of county commissioners by a written investment policy, ordinance or resolution or the treasurer of any city or town, when authorized by the appropriate governing body by a written investment policy, ordinance or resolution, shall invest monies in the custody of the treasurer ...”

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2019-009 – Lack of Internal Controls Over Presentation of the County Financial Statement

Condition: The County has not designed and implemented internal controls for the presentation of the County financial statement. During the review and reconciliation of the financial statement, as initially prepared by the County, we determined the preparer of the financial statement did not report accurate numbers.

The beginning balance, receipts apportioned, transfers in, transfers out, cash disbursements and ending balance were reported as \$17,286,485, \$18,087,946, \$868,515, \$1,076,493, \$16,547,965 and \$18,618,488, respectively. A review of the records provided by the County Treasurer determined that the actual beginning balance, receipts apportioned, transfers in, transfers out, cash disbursements and ending balance amounts were \$17,218,588, \$17,053,493, \$1,973,205, \$1,904,690, \$15,625,460 and \$18,715,136; this resulted in an overstatement of beginning balance in the amount of \$67,897; an overstatement of receipts apportioned in the amount of \$1,034,453; an understatement of transfers in the amount of \$1,104,690; an understatement of transfer out in the amount of \$828,197; an overstatement of disbursements in the amount of \$922,505 and an understatement of the ending balance in the amount of \$96,648.

Cause of Condition: Internal controls have not been designed and implemented to ensure proper individuals take responsibility to accurately report cash receipts and disbursements on the financial statement.

Effect of Condition: These conditions resulted in inaccurate reporting of cash receipts and cash disbursements on the financial statement.

Recommendation: OSAI recommends the County design and implement procedures to ensure the cash receipts and cash disbursements are reported accurately on the financial statement.

Management Response:

County Treasurer: The financial statement is prepared by the senior bookkeeping employee; reviewed, initialed, and dated by the County Treasurer or the Deputy Treasurer. We are now using OSAI form 308 to reconcile all accounts with the County Clerk's office, which will increase the accuracy of the financial statement. All documents affecting the financial statement will be reviewed and documented to increase knowledge of any discrepancies. We are now seeking advice from OSAI when there are questionable entries or if we just have questions regarding entries that affect the financial statement. We will attend any classes offered by OSAI and Oklahoma State University-County Government Training Program over financial statements and related subjects. We will also communicate with other counties regarding their procedures for preparing financial statements. We are striving diligently to present an accurate financial statement for Cherokee County.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part:

“The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

Finding 2019-010 – Transfer of Funds by Purchase Orders and Noncompliance with State Statutes

Condition: During the review of disbursements, it was noted that the County had issued thirty-four (34) purchase orders between funds for various reasons, and subsequently those monies were miscellaneous receipted by the County Treasurer's office, which resulted in overstatements of both revenues and expenditures in the amount of \$454,690.

Nineteen (19) purchase orders were issued to reimburse the County General Fund for workers comp insurance paid from the following funds:

- One (1) for \$102 from 911 Emergency fund.
- One (1) for \$3,222 from the Boot Camp Fund.
- One (1) for \$1,902 from the Department of Corrections fund.
- One (1) for \$14,427 from the Solid Waste Fund.
- One (1) for \$6,292 from the Use Tax fund.
- Two (2) for \$62,437 from the Sales Tax fund.
- One (1) for \$309 from the 911 Wireless fund.
- Eleven (11) for \$120,656 from the Highway fund.

Eleven (11) purchase orders were issued for various reimbursements between the following funds:

- Two (2) for \$32,864 from Eastern Oklahoma Development District into Highway fund.
- One (1) for \$51,690 from County General Fund to the Use Tax fund.
- Two (2) for \$25,120 from Highway fund to the Use Tax fund.
- One (1) for \$687 from Resale Property fund to the Use Tax fund.
- One (1) for \$266 from the Highway fund to the Use Tax fund.
- One (1) for \$50,820 from the Governmental Building Authority fund to the County General Fund.
- One (1) for \$1,714 from the Highway fund to the 911 Wireless fund.
- One (1) for \$1,714 from the Fire Department Sales Tax fund to the 911 Wireless fund.
- One (1) for \$1,714 from the Sheriff Service Fee fund to the 911 Wireless fund.

Four (4) purchase orders were issued for services provided between the following funds:

- One (1) for \$28,354 from the Fire Department Sales Tax fund to County General Fund.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- One (1) for \$2,400 from the Resale Property fund to the Sheriff Service Fee fund.
- Two (2) for \$48,000 from the Fire Department Sales Tax fund to the 911 Emergency fund.

Cause of Condition: Policies and procedures have not been designed and implemented over the disbursement process to strengthen internal controls and ensure compliance with state statutes regarding the disbursement process.

Effect of Condition: These conditions resulted in noncompliance with state statutes, unrecorded transactions, undetected errors, and misappropriation of funds and inaccurate records.

Recommendation: OSAI recommends that the County design procedures to ensure all disbursements are allowable per state statutes. Additionally, any and all transfers between funds should be made for those limited specific purposes as set forth in state statutes.

Management Response:

Chairman of the Board of County Commissioners, County Clerk and County Treasurer: The County is now using OSAI form #240 for transfer of funds.

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

Title 68 O.S. § 3021 states in part, “Fourth: If at any time during the budget year it appears to the County Treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board, upon request of the county treasurer and upon notification to the county commissioners, may temporarily transfer money from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from. No transfer shall be made from the debt service fund to any other fund except as may be permitted by the terms of the bond issue or applicable law. Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.”

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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