

COUNTY AUDIT

CHEROKEE COUNTY

For the fiscal year ended June 30, 2009



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**CHEROKEE COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

February 21, 2014

TO THE CITIZENS OF
CHEROKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cherokee County, Oklahoma for the fiscal year ended June 30, 2009. 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 that reads "Gary A. Jones".

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

**CHEROKEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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**CHEROKEE COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

INTERNAL CONTROL AND COMPLIANCE SECTION

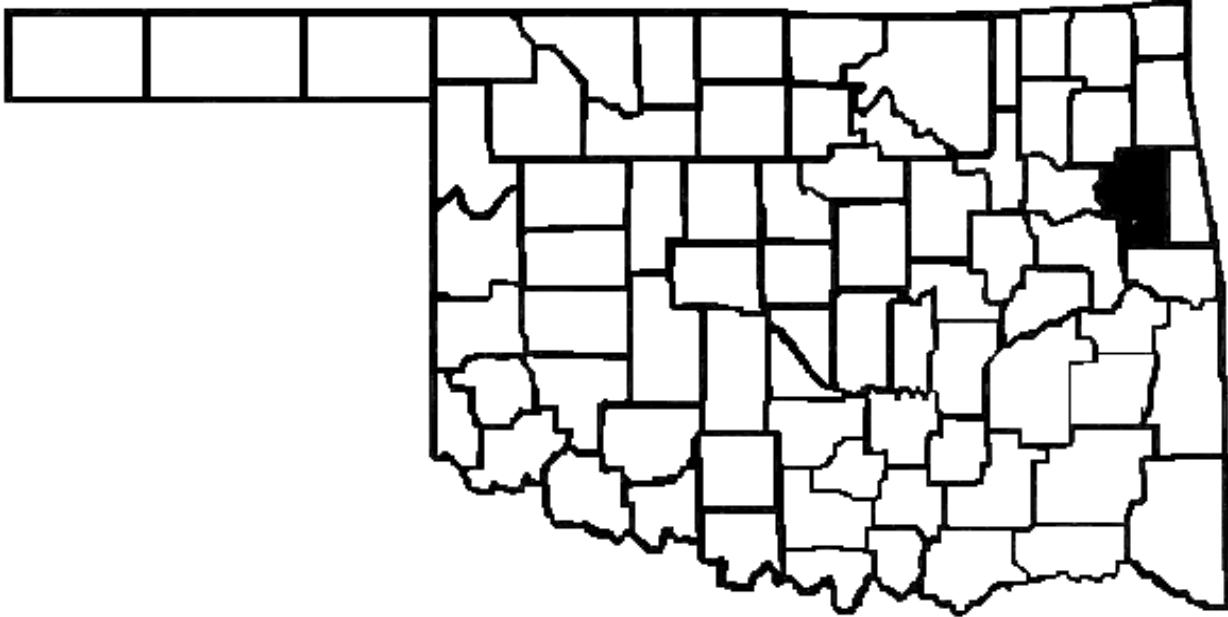
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**CHEROKEE COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



Cherokee County, created at statehood and named for the Cherokee Nation, is part of the area settled by the Cherokee Indians after the Trail of Tears.

Tahlequah, the county seat, was established as the capital of the Cherokee Nation in 1839. It is the site of the Cherokee Heritage Center; Tsa-La-Gi Ancient Cherokee Village, an authentic replica of a Cherokee community during the 1600s; and the Cherokee National Museum. The Cookson Hills, surrounding Tahlequah, were noted as hiding places for outlaws and bandits, including the James Brothers and Belle Starr, around the turn of the century. Lake Tenkiller and the Tenkiller Wildlife Management Area, as well as the Illinois River, provide additional recreational opportunities in Cherokee County.

Northeastern State University in Tahlequah provides a source of higher education in the area. The university's beginning dates back to 1846 when the Cherokee National Council authorized the creation of a National Male Seminary and a National Female Seminary. In 1909, the Oklahoma Legislature authorized the purchase of the building, land, and equipment of the Cherokee Female Seminary to form the Northeastern State Normal School at Tahlequah.

For more county information, call the county clerk's office at 918-456-3171.

County Seat – Tahlequah

Area – 776.40 Square Miles

County Population – 45,393 (2007 est.)

Farms – 1,375

Land in Farms – 246,421 Acres

Primary Source: Oklahoma Almanac 2009-2010

**CHEROKEE COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Board of County Commissioners

District 1 – Doug Hubbard
District 2 – Bobby Botts
District 3 – Mike Ballard

County Assessor

Erlene Luper

County Clerk

Marshel Bennett

County Sheriff

Norman Fisher

County Treasurer

Inez Peace

Court Clerk

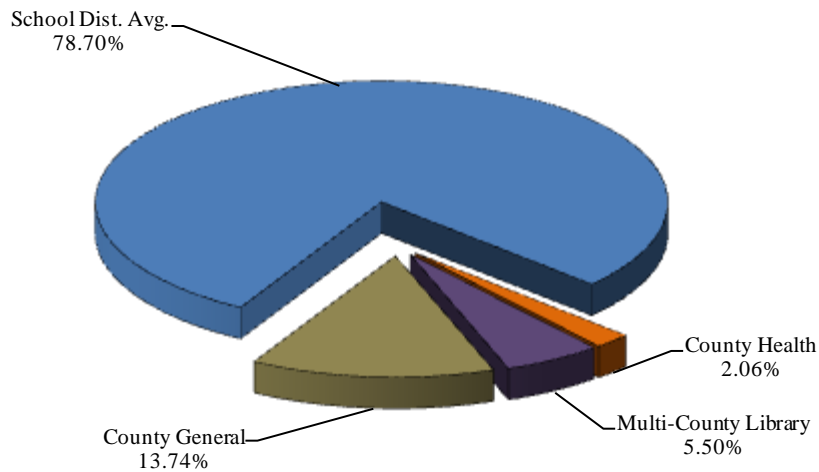
Shirley Glory

District Attorney

Jerry Moore

**CHEROKEE COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

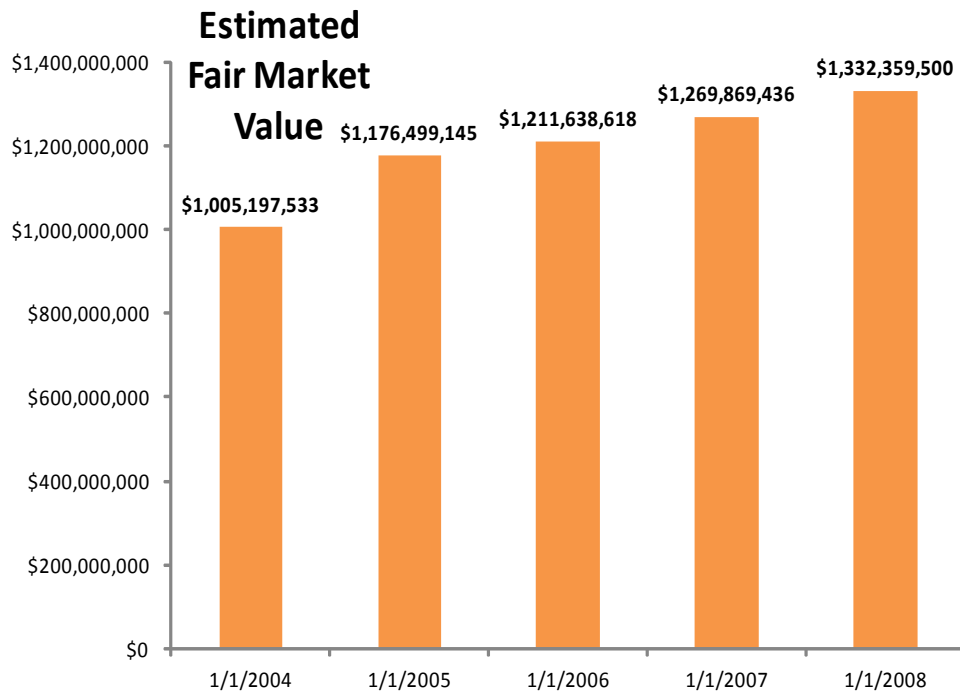
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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								
					Vocational		Vocational			
		Gen.	Bldg.	Skg.	General	Building	Common	Total		
County General	10.00									
County Health	1.50	Keys	D-6	35.00	5.00	11.88	8.00	2.00	4.00	65.88
Multi-County Library	4.00	Lowrey	D-10	35.00	5.00	5.82	8.00	2.00	4.00	59.82
		Norwood	D-14	35.00	5.00		8.00	2.00	4.00	54.00
		Hulbert	I-16	35.00	5.00	5.11	8.00	2.00	4.00	59.11
		Woodall	D-21	35.00	5.00	19.44	8.00	2.00	4.00	73.44
		Shady Grove	D-26	35.00	5.00		8.00	2.00	4.00	54.00
		Peggs	D-31	35.00	5.00		8.00	2.00	4.00	54.00
		Grandview	D-34	35.00	5.00	4.33	8.00	2.00	4.00	58.33
		Briggs	D-44	35.00	5.00		8.00	2.00	4.00	54.00
		Tenkiller	D-66	35.00	5.00		8.00	2.00	4.00	54.00
		Tahlequah	I-35	35.00	5.00	22.85	8.00	2.00	4.00	76.85
		Little Kansas	I-3	35.00	5.00	9.55	10.00	1.00	4.00	64.55
		Oaks	J-5	35.00	5.00		10.00	1.00	4.00	55.00
		Ft. Gibson	I-3M	35.00	5.00	11.97	8.00	2.00	4.00	65.97
		Skelly	D-A1	35.00	5.00		8.00	2.00	4.00	54.00
		Locust Grove	I-17	35.00	5.00	26.11	10.00	1.00	4.00	81.11
		Norwood	I-14	35.00	5.00	3.34	8.00	2.00	4.00	57.34

**CHEROKEE COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

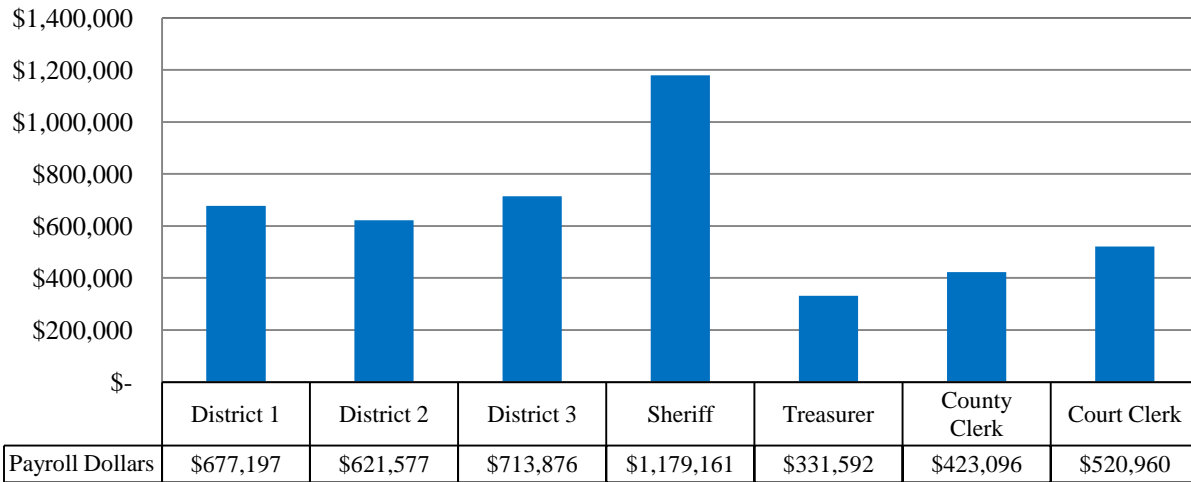
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2008	\$17,588,331	\$7,724,199	\$130,485,824	\$9,238,809	\$146,559,545	\$1,332,359,500
1/1/2007	\$17,201,847	\$9,198,153	\$122,509,496	\$9,223,858	\$139,685,638	\$1,269,869,436
1/1/2006	\$15,958,840	\$11,311,859	\$115,132,396	\$9,122,847	\$133,280,248	\$1,211,638,618
1/1/2005	\$15,824,675	\$11,935,364	\$109,611,173	\$7,956,306	\$129,414,906	\$1,176,499,145
1/1/2004	\$14,388,801	\$11,014,984	\$103,040,253	\$7,820,334	\$120,623,704	\$1,005,197,533



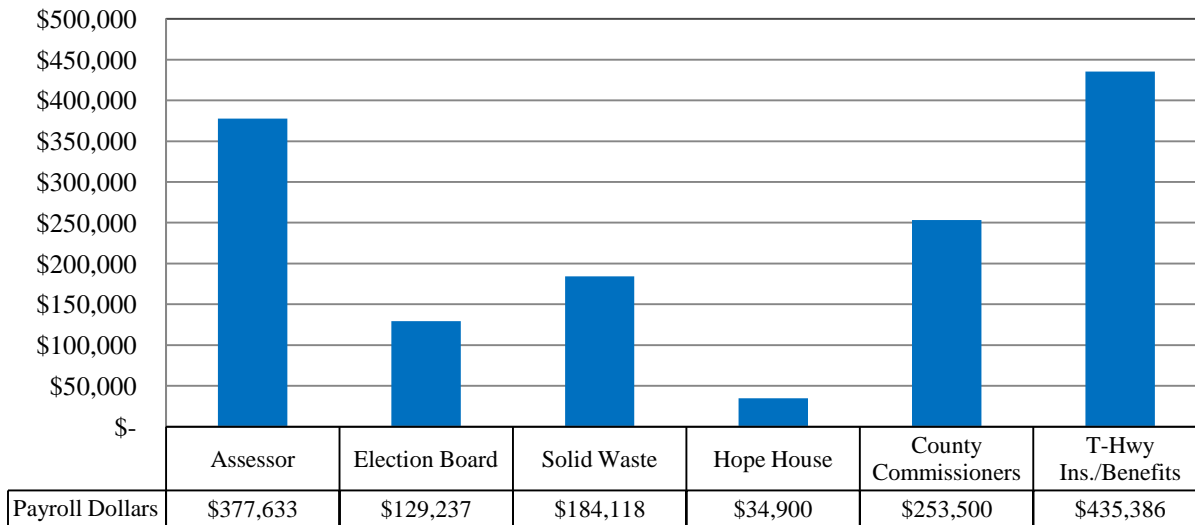
**CHEROKEE COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009.

Payroll Expenditures by Department



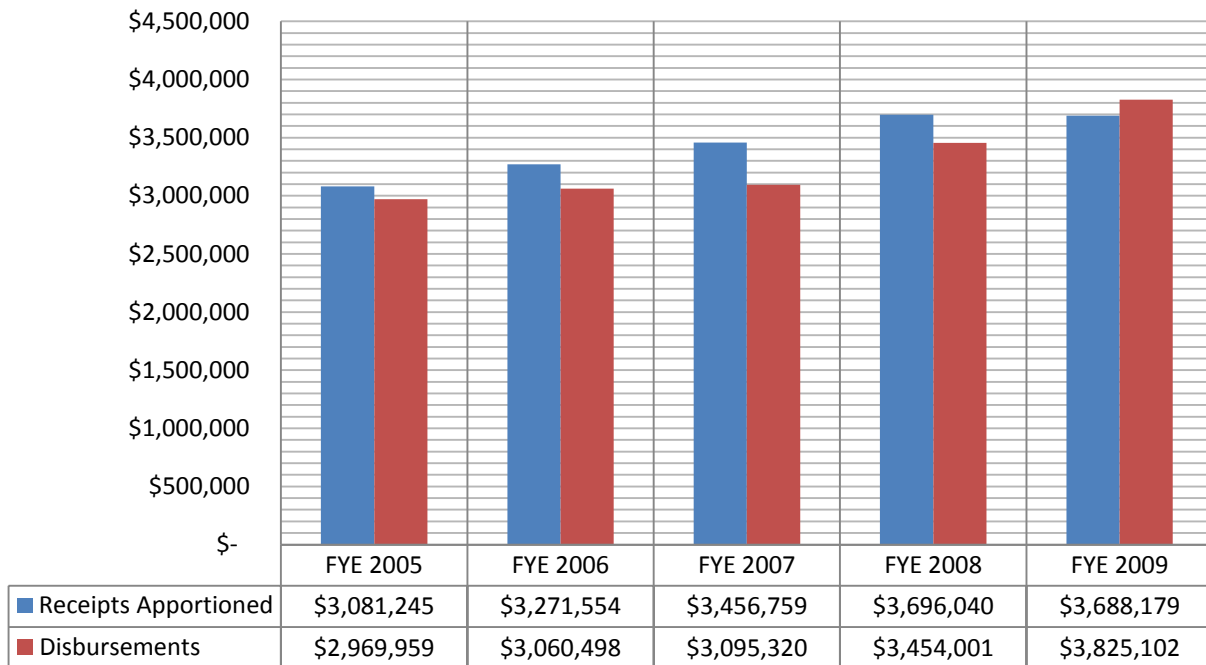
Payroll Expenditures by Department



**CHEROKEE COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County General Fund

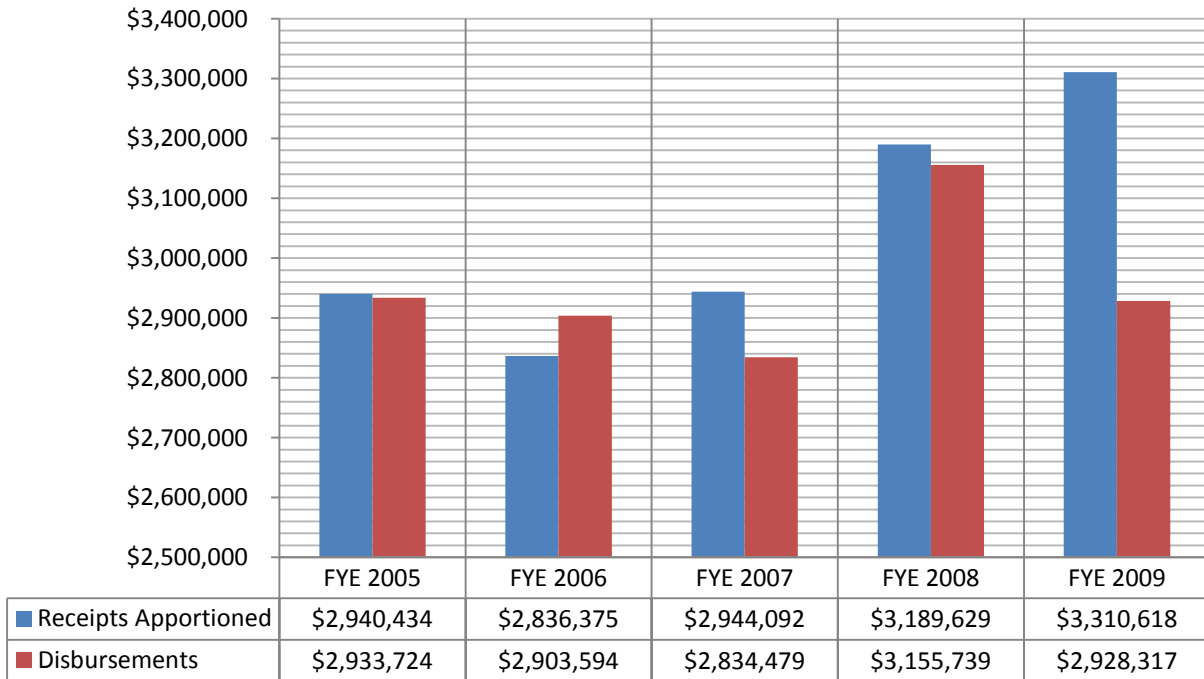
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**CHEROKEE COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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
CHEROKEE COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2009, listed in the table of contents as the financial statement. This financial statement is the responsibility of Cherokee County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Cherokee County as of June 30, 2009, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Cherokee County, for the year ended June 30, 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

February 20, 2014

REGULATORY BASIS FINANCIAL STATEMENT

CHEROKEE 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, 2009

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2009
Combining Information:					
Major Funds:					
County General Fund	\$ 1,329,076	\$ 3,688,179	\$ 3,505	\$ 3,825,102	\$ 1,195,658
Highway	1,498,217	3,310,618	-	2,928,317	1,880,518
County Health	165,418	249,391	-	280,648	134,161
Sales Tax	1,234,534	3,087,404	-	2,839,584	1,482,354
County Sinking	6	-	-	-	6
Governmental Building Authority	2,726,185	2,809,690	-	2,365,314	3,170,561
Fire Department Sales Tax	751,673	862,081	-	781,969	831,785
Use Tax	497,080	415,533	-	331,911	580,702
911 Emergency	49,892	185,682	-	175,875	59,699
911 Wireless	75,583	172,130	-	188,155	59,558
Remaining Aggregate Funds	674,444	1,296,636	-	1,325,221	645,859
Combined Total - All County Funds	<u>\$ 9,002,108</u>	<u>\$ 16,077,344</u>	<u>\$ 3,505</u>	<u>\$ 15,042,096</u>	<u>\$ 10,040,861</u>

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, 2009**

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 - revenues are from ad valorem taxes, officers' fees, sales tax, 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. Disbursements are for the operation of the county health department.

Sales Tax - accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

County Sinking - accounts for the payments of interest and principal on long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

valorem tax levy and from interest earned on investments on cash not immediately required for debt service payments.

Governmental Building Authority - accounts for the 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.

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

Use Tax - accounts for the use tax remitted to the County by the Oklahoma Tax Commission. Disbursements are for courthouse maintenance and operation.

911 Emergency - accounts for the collections of emergency telephone fee 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 the collections of emergency telephone fee collected by local wireless service providers in Cherokee County. Disbursements are for the operation of the enhanced emergency telephone system.

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 on a regulatory basis. 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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

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

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

D. Sales Tax

In 1984, Cherokee County voters approved a 1% sales tax to become effective for a period of five years. The proceeds of the tax are used as follows: 50% for County Roads, 15% for law enforcement, and 25% for general county operations, including extension and 4-H clubs, and 10% for grant matching funds. The original duration of the tax was five years. In 2008, voters

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

subsequently voted to make this sales tax permanent or until repealed by a majority of the electors of Cherokee County. These funds are accounted for in the Sales Tax fund.

On September 15, 1998, Cherokee County voters approved a one-quarter percent (.25%) sales tax designated for the purpose of providing funding for fire protection to the fourteen different fire departments in and throughout the County. 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, Cherokee County voters approved a sales tax of three-fourth of one percent (3/4%) 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 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.

E. Residual Equity Transfer

During the fiscal year, the County closed out the following inactive account per resolution and transferred the monies to the County General Fund.

- Refund \$3,505

OTHER SUPPLEMENTARY INFORMATION

CHEROKEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,329,653	\$ 1,329,076	\$ (577)
Less: Prior Year Outstanding Warrants	(136,579)	(136,579)	-
Less: Prior Year Encumbrances	(28,327)	(27,878)	449
Beginning Cash Balances, Budgetary Basis	<u>1,164,747</u>	<u>1,164,619</u>	<u>(128)</u>
Residual Equity Transfer	-	3,505	3,505
Receipts:			
Ad Valorem Taxes	1,332,360	1,442,855	110,495
Charges for Services	206,510	189,260	(17,250)
Intergovernmental Revenues	1,073,622	1,283,139	209,517
Miscellaneous Revenues	822,208	772,925	(49,283)
Total Receipts, Budgetary Basis	<u>3,434,700</u>	<u>3,688,179</u>	<u>253,479</u>
Expenditures:			
County Sheriff	659,002	657,993	1,009
County Treasurer	219,689	219,682	7
County Commissioners	260,230	249,940	10,290
OSU Extension	125,914	113,589	12,325
County Clerk	376,333	372,415	3,918
Court Clerk	539,381	531,980	7,401
County Assessor	134,447	122,625	11,822
Revaluation of Real Property	331,247	312,517	18,730
General Government	1,613,196	1,021,598	591,598
Excise-Equalization Board	13,961	12,114	1,847
County Election Board	152,358	150,232	2,126
Hope House	35,338	34,948	390
County Audit Budget	14,656	-	14,656
Free Fair	14,000	13,127	873

Continued on next page

**CHEROKEE COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General Fund		
Continued from previous page	Budget	Actual	Variance
Solid Waste	88,770	88,622	148
Emergency Management	20,925	19,320	1,605
Total Expenditures, Budgetary Basis	4,599,447	3,920,702	678,745
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	935,601	\$ 935,601
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		187,626	
Add: Current Year Encumbrances		72,431	
Ending Cash Balance		\$ 1,195,658	

**CHEROKEE 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, 2009**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 165,418	\$ 165,418	\$ -
Less: Prior Year Outstanding Warrants	(3,559)	(3,559)	-
Less: Prior Year Encumbrances	(2,320)	(1,770)	550
Beginning Cash Balances, Budgetary Basis	159,539	160,089	550
Receipts:			
Ad Valorem Taxes	199,854	215,982	16,128
Miscellaneous Revenues	33,402	33,409	7
Total Receipts, Budgetary Basis	233,256	249,391	16,135
Expenditures:			
Health and Welfare	392,795	315,731	77,064
Total Expenditures, Budgetary Basis	392,795	315,731	77,064
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	93,749	\$ 93,749
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		3,913	
Add: Current Year Outstanding Warrants		36,499	
Ending Cash Balance		\$ 134,161	

CHEROKEE COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Beginning Cash Balances July 1, 2008	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2009
Remaining Aggregate Funds:				
Resale Property	\$ 98,260	\$ 217,493	\$ 186,582	\$ 129,171
Sheriff Service Fee	112,728	287,868	230,463	170,133
Preservation Fund	54,869	45,700	48,185	52,384
County Clerk Lien Fee	16,446	12,509	15,194	13,761
County Clerk Lien Fee Account (CCLF)	13,019	48	13,067	-
Assessor Visual Inspection	40	-	-	40
Treasurer Mortgage Certification Fee	18,894	8,530	-	27,424
County Treasurer Cash	500	-	-	500
Corp Of Engineers	16,921	17,926	17,728	17,119
County Assessor Revolving Fund	4,601	4,423	5,164	3,860
Governmental Building Authority Interest	35	7	-	42
Boot Camp Fund	19,007	51,140	48,625	21,522
Sheriff Drug Forfeiture	3,553	-	1,000	2,553
Community Building Fund	1,440	8,675	7,625	2,490
Help in Crisis	14,672	70,655	81,392	3,935
Community Service	30,027	27,004	16,269	40,762
Hope House Shelter	-	64,729	64,729	-
Department of Corrections	75,295	64,201	72,131	67,365
Fairgrounds	1,096	4,885	4,080	1,901
Juvenile Detention	641	-	-	641
Sheriff Training Fund	27	-	-	27
Truancy Fund	807	-	-	807
Sheriff Drug Buy Fund	-	3,962	2,500	1,462
Solid Waste Fund	72,039	329,423	325,270	76,192
Cherokee County Flood Plain	3,824	1,000	1,130	3,694
Keys Community Building	-	1,455	204	1,251
Juvenile Drug Court	5,703	42,262	41,142	6,823
Eastern Oklahoma Development	110,000	32,741	142,741	-
Combined Total - Remaining Aggregate Funds	\$ 674,444	\$ 1,296,636	\$ 1,325,221	\$ 645,859

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. Budgetary Schedules

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

2. Remaining County Funds

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

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

Sheriff Service Fee - revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Preservation Fund - revenues are from a fee charged by the Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

County Clerk Lien Fee (CCLF) - revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the Clerk's office.

County Clerk Lien Fee Account - revenues are from a fee charged by the County Clerk for copies. Disbursements are for any lawful expense of the Clerk's office.

Assessor Visual Inspection - revenues are from fees charged to all entities receiving ad valorem taxes. Disbursements are for the revaluation of all county property for ad valorem purposes.

Treasurer Mortgage Certification Fee - revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

County Treasurer Cash - accounts for monies maintained in the cash drawer by the County Treasurer.

Corp of Engineers - revenues are from the Corp of Engineers. Disbursements are for the expense of a Sheriff's patrol on crop land and are lakes.

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

Governmental Building Authority Interest - revenues are from interest earned on governmental building funds monies. Disbursements are for acquiring, constructing, equipping, operating and maintaining county jail facilities and parking facilities.

Boot Camp Fund - revenues are monies received from the public schools and a federal grant passed through the County. Disbursements are used to pay for court-sentenced juveniles to go to Boot Camp.

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.

Community Building Fund - revenues are from rentals of the Community Building. Disbursements are for the maintenance and operation of the building.

Help in Crisis - revenues are from a federal grant. Disbursements are to the Help in Crisis center, which is a home from battered women.

Community Service - revenues are from the State Department of Corrections to reimburse the County for the expense of administering the Community Service Program.

Hope House Shelter - revenues are from a state emergency shelter grant. Disbursements are for the operation of the hope house shelter.

Department of Corrections - revenues are from the State Department of Corrections for housing state inmates. Disbursements are for the feeding and housing of prisoners.

Fairgrounds - revenues are from rentals of the fairgrounds. Disbursements are for maintenance and operation of the fairgrounds.

Juvenile Detention - revenues are from the State of Oklahoma for transporting juvenile prisoners. Disbursements are for expenses relating to transporting juveniles.

**CHEROKEE COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Sheriff Training Fund - revenues are from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Truancy Fund - revenues are from local schools. Disbursements are for one Sheriff's Deputy to assist in reducing school truancy.

Sheriff Drug Buy Fund - revenue is from monies seized and forfeited to the Sheriff's office. Disbursements are for drug buys.

Solid Waste Fund - revenues are from solid waste fees from three transfer stations. Disbursements are used to pay fees and employee payroll.

Cherokee County Flood Plain - revenues are 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 used for payroll of employee issuing permits.

Keys Community Building - revenues are from the renting of the building. Disbursements are for the maintenance and operation of the building.

Juvenile Drug Court - revenues are 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 for supplies.

Eastern Oklahoma Development - revenues are from REAP Grants. Disbursements are for various projects within Cherokee County.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 85,393
Total U.S. Department of Defense			<u>85,393</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the State Department of Commerce:			
Emergency Shelter Grants Program	14.231	CN 13190	64,729
Emergency Shelter Grants Program	14.231	CN 13195	70,655
Total U.S. Department of Housing and Urban Development			<u>135,384</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		110,040
Total U.S. Department of Interior			<u>110,040</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	PT-08-03-06-02	9,514
Total U.S. Department of Transportation			<u>9,514</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1823	1,426,886
Total U.S. Department of Homeland Security			<u>1,426,886</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,767,217</u></u>

**CHEROKEE COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Cherokee County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE 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

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 the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2009, which 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 February 20, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2009, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2009-2, 2009-3, 2009-6, and 2009-11.

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 deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. 2009-9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cherokee County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as item 2009-3.

We noted certain matters that we reported to the management of Cherokee County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

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

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



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

February 20, 2014



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 Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE OFFICERS OF
CHEROKEE COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Cherokee County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Cherokee County's major federal program for the year ended June 30, 2009. Cherokee County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Cherokee County's management. Our responsibility is to express an opinion on Cherokee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cherokee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cherokee County's compliance with those requirements.

In our opinion, Cherokee County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cherokee County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cherokee County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

February 20, 2014

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... No

Identification of Major Programs

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?..... No

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SECTION 2—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 2009-2 - Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Assessment 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 identify and address risks. These procedures should be written policies and procedures and could be included in the County's Policies and Procedures Handbook.

Management Response:

County Commissioner District 1: The Board of County Commissioners will work together with all County officials to develop a plan to monitor the County's internal controls to ensure that audit findings and other reviews are properly resolved. The Board of County Commissioners will strive to make risk assessment and monitoring a priority in Cherokee County.

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 made. Internal control comprises 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 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.

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Finding 2009-3 - Inadequate Internal Controls and Noncompliance Over Purchasing Process
(Repeat Finding)**

Condition: We noted the following issues with the purchasing process:

- Purchase order numbers are given out prior to determining if adequate funds are available to encumber and prior to encumbering; therefore goods/services are allowed to be purchased prior to the encumbering of funds.
- County Commissioners' purchases are not being reviewed by the County Clerk for adequate supporting documentation in accordance with the state statutes prior to submission to the Board of County Commissioners for approval and payment.
- The purchasing agent is not signing the lower left box attesting that adequate documentation is attached to the purchase order. In the fiscal year 2009, out of thirty-eight purchase orders tested, twenty-seven were not certified.

Cause of Condition: Procedures with regard to purchasing procedures, including the encumbrance of funds, have not been designed and implemented.

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

Recommendation: OSAI recommends that prior to the issuance of purchase order number; the purchasing agent ensures adequate funds are available for the purchase, encumbers the funds, and then issues the purchase order number. Also the purchasing agent should ensure all purchase orders have adequate supporting documentation attached and sign the lower left hand box on the purchase order attesting to such.

Management Response:

County Clerk: The purchasing agent and I acknowledge the conditions stated above and will do our due diligence in correcting the issues.

Criteria: Title 62 O.S. § 310.2 states in part, "The Clerk of each county or encumbering officer of the municipality shall keep record in such form as prescribed by the State Auditor and Inspector."

Title 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."

Title 19 O.S. § 1505.E.10 & 11 states in part, "Upon receipt of an invoice, the county clerk shall compare the following documents:

- a. requisition

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

- b. purchase order
- c. invoice with noncollusion affidavits as required by law
- d. receiving report, and
- e. delivery document

If the documents conform as to the quantity and quality of items, the county clerk shall prepare a warrant for payment according to procedures provided by law.”

Additionally, accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 2009-6 - Inadequate Internal Controls Over Segregation of Duties – 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 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: I acknowledge the segregation of duties finding and will implement procedures to segregate the payroll clerk’s duties by separating key processes and/or critical functions of the office and

**CHEROKEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

have management review and approve accounting functions including enrolling new employees, maintaining personnel files, reviewing time records, and preparing and distributing payroll warrants.

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 2009-9 - Inadequate Internal Controls Over Information Systems Security - County Clerk and County Treasurer

Condition: Upon review of the computer systems within the County Treasurer's and the County Clerk's offices, it was noted that there does not appear to be adequate 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.
- In the County Clerk's office and County Treasurer's office computers do not log off after periods of inactivity, nor do the employees log off of computers when away from their desks.

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

Effect of Condition: Security for the computer, computer programs, and data could be compromised.

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 written and implemented by management.

Management Response:

County Clerk: I will work on implementing policies and procedures regarding logging off computers while away from their desk as well as computer usage and written policies and procedures.

County Treasurer: I implemented a computer and internet policy in 2012, and spoke with the computer software provider who told me how to set computers to require us to log on if we have had inactivity in a program for a set number of minutes.

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

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security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2009-11 - Inadequate Internal Controls Over Segregation of Duties – 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, and distributes warrants.

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

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 was not in office at this time; however, I have read and understand the condition and will implement procedures to segregate the duties of the Purchasing Agent as stated in the above condition to the best of my ability.

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.

SECTION 3—Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

No matters were reported.

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SECTION 4—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management’s attention. We recommend that management consider this matter and take appropriate corrective action.

**Finding 2009-7 - Enrollment in the Oklahoma Public Employees Retirement System (OPERS)
(Repeat Finding)**

Condition: During testwork, we noted the following issues in regard to OPERS:

- Two employees were not enrolled after their thirty day hire date.
- Forty-nine employees were listed as part-time personnel, but there were no contracts or agreements on file stating that the positions that personnel held were part-time; therefore none of these employees were enrolled into OPERS.

Cause of Condition: Procedures have not been designed to ensure all eligible employees are enrolled in OPERS.

Effect of Condition: All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

Management Response:

County Clerk: The two employees not being enrolled into OPERS was due to an oversight. However, at one point during this time period, a Commissioner had wanted to put everyone on a ninety day wait period until our office researched it and confirmed OPERS requirements. There are no contracts or agreements on part-time positions because we did not know that was required.

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.



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