



SEQUOYAH COUNTY

Financial Audit

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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January 26, 2021

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Ray Watts
District 2 – Steve Carter
District 3 – Jim Rogers

County Assessor

Kelly Miller

County Clerk

Julie Haywood

County Sheriff

Larry Lane

County Treasurer

Angela Gist

Court Clerk

Vicki Beaty

District Attorney

Jack Thorp

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

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

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
SEQUOYAH 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 Sequoyah 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 Sequoyah 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 Sequoyah 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 Sequoyah 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining 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 schedule of expenditures of federal awards and the remaining supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, on our consideration of Sequoyah 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 Sequoyah County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 19, 2021

REGULATORY BASIS FINANCIAL STATEMENT

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

	Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Cash Balances June 30, 2019
Combining Information:						
County General	\$ 967,477	\$ 2,811,285	\$ 5,295	\$ -	\$ 2,740,293	\$ 1,043,764
Highway Cash	2,933,490	11,797,785	190,657	266,991	11,198,824	3,456,117
County Health	610,930	491,069	-	-	249,183	852,816
Sales Tax Revolving Fund	1,043,215	1,356,363	-	-	1,302,064	1,097,514
Sheriff Service Fee	167,699	579,056	36,045	10,000	583,254	189,546
Resale Property	656,354	287,785	112,683	-	233,818	823,004
Assessor Fee Revolving	2,190	2,835	-	-	-	5,025
Community Service Sentencing Program	70,393	104,813	-	-	114,163	61,043
County Clerk Lien Fee	16,110	6,487	-	-	7,973	14,624
County Clerk Preservation Fee	88,067	38,994	-	-	20,849	106,212
Civil Defense - Emergency Management	7,345	-	-	-	2,990	4,355
Mortgage Certification Fee	37,138	6,630	-	-	2,609	41,159
County Jail Sales Tax	252,973	1,807,258	-	-	1,777,117	283,114
Sheriff - Courthouse Security	12,961	32,844	-	7,735	38,070	-
Sheriff D.A.R.E.	16,813	110,289	-	28,310	98,792	-
Sheriff Training Fund	633	-	-	-	-	633
Lake Patrol	290	-	-	290	-	-
Sheriff Drug Fund	6,606	106,079	-	-	41,693	70,992
Trash Cop	100	-	-	100	-	-
EMPG Grant	2,453	-	-	-	2,057	396
HMEP Planning Grant	3,166	-	-	3,166	-	-
Bureau of Justice Grant	1,261	-	-	1,261	-	-
Fire Department Sales Tax	1,780,260	698,456	-	-	679,048	1,799,668
CDBG 14 Flags Museum	18	-	-	18	-	-
HWY/CBRIF	671,842	685,941	66,991	190,657	603,813	630,304
Sheriff Commissary	27,348	166,731	-	-	146,572	47,507
Drug Court	175,556	181,025	-	-	165,545	191,036
Safe Oklahoma Grant	25,132	35,000	-	-	36,757	23,375
VOCA Advocate Grant	-	40,193	10,000	-	41,614	8,579
Combined Total - All County Funds	\$ 9,577,820	\$ 21,346,918	\$ 421,671	\$ 508,528	\$ 20,087,098	\$ 10,750,783

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Sequoyah 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 – accounts for general operations of the government.

Highway Cash – 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 Revolving Fund – accounts for the collection of sales tax revenue. Disbursements are for road and highway construction and maintenance.

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

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

Resale Property – accounts for the collection of interest and penalties on delinquent taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes as restricted by state statute.

Assessor Fee Revolving – accounts for fees collected for copies and disbursements by the County Assessor as restricted by state statute.

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

County Clerk Lien Fee – accounts for fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

County Clerk Preservation Fee – accounts for fees collected by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records as restricted by statute.

Civil Defense - Emergency Management – accounts for the receipt of state and federal funds and disbursements are for civil defense purposes.

Mortgage Certification Fee – accounts for fees charged for certifying mortgages. Disbursements are for any lawful expense of the County Treasurer’s office.

County Jail Sales Tax – accounts for the collection of sales tax revenue. Disbursements are for the construction and maintenance of a modern jail facility.

Sheriff – Courthouse Security – accounts for the receipt and disbursement of court fees for courthouse security.

Sheriff D.A.R.E. – accounts for revenues received from five (5) rural schools and donations from businesses. Disbursements are for the salary of two (2) full-time deputies and supplies for the Drug Abuse Resistance Education (D.A.R.E.) program.

Sheriff Training Fund – accounts for monies received from unclaimed property of money in the County Sheriff possession. Disbursements are for the purchase of equipment, materials, or supplies that may be used in crime prevention, education, or training.

Lake Patrol – accounts for revenues from the U.S. Corps of Engineers. Disbursements are for the expenses of patrolling Corps land by County Sheriff deputies.

Sheriff Drug Fund – accounts for revenues from the sale of seized and forfeited property sold at auction. Disbursements are for the enforcement of controlled dangerous substance laws.

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

Trash Cop – accounts for grant revenues. Disbursements are for the enforcement of trash dumping laws.

EMPG Grant – accounts for federal funds used to operate the County’s emergency management program.

HMEP Planning Grant – accounts for federal grant revenues. Disbursements are for emergency management equipment.

Bureau of Justice Grant – accounts for federal grant revenues. Disbursements are for law enforcement purposes.

Fire Department Sales Tax – accounts for the collection of sales tax revenue. Disbursements are for operating and maintaining the fire departments within the County.

CDBG 14 Flags Museum – accounts for federal grant revenues. Disbursements are for the restoration of the 14 Flags Museum.

HWY/CBRIF – accounts for monies received from the State of Oklahoma. Disbursements are for the purpose of constructing and maintaining county roads and bridges.

Sheriff Commissary – accounts for monies received from commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

Drug Court – accounts for monies received from the Oklahoma Department of Mental Health and Substance Abuse Services and participant fees to be expended for the maintenance and operation of the Adult Drug Court.

Safe Oklahoma Grant – accounts for grant funds from the Attorney General for local law enforcement. Disbursements are for various law enforcement expenses.

VOCA Advocate Grant – accounts for federal grant funds from the Office of Victims of Crime to the Sheriff’s office. Disbursements are for to aid victims of crimes.

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.

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

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 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.

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

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.

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

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

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

The voters of Sequoyah County approved a one-half percent ($\frac{1}{2}\%$) sales tax effective January 11, 2000, pledging the monthly income of the revenue of said tax to the construction, operation and maintenance of the Sequoyah County Jail facility in the following proportions: two-thirds ($\frac{2}{3}^{\text{rd}}$) to construction and one-third ($\frac{1}{3}^{\text{rd}}$) to operation and maintenance. The life of the portion of the tax pledged to construction to be seven (7) years and the duration pledged to the maintenance and operation shall be unlimited. The other one-third ($\frac{1}{3}$) of the one-half ($\frac{1}{2}$) cent is to be used for the operation of the jail and is unlimited in duration. Funds are accounted for in the County Jail Sales Tax fund.

The voters of Sequoyah County approved a permanent one-quarter of one percent ($\frac{1}{4}\%$) sales tax effective June 1, 2006, to be used for the purpose of providing funding for the County Fire Departments. Of the $\frac{1}{4}\%$ sales tax, ninety-five percent (95%) will be split evenly between the twenty-one (21) fire departments and five percent (5%) will be placed in a cash fund account to be used for such other fire protection services as deemed necessary by the Board of County Commissioners. These funds are accounted for in the Fire Department Sales Tax fund.

The voters of Sequoyah County approved a one-half percent ($\frac{1}{2}\%$) sales tax effective September 2007. This sales tax shall be continuing and indefinite until rescinded by vote of the people of Sequoyah County. The sale tax is to be used for the purchase of materials for roads in Sequoyah County, as well as making repairs of existing roads and the construction of new roads, including bridges and overpasses, to be appropriated by the Board of County Commissioners. These funds are accounted for in the Sales Tax Revolving Fund.

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

The voters of Sequoyah County approved an unlimited one-half percent (½%) sales tax effective December 1, 2009. This sales tax was established to provide revenues for the operation and maintenance of the Sequoyah County Jail Facility and Sheriff's office. These funds are accounted for in the County Jail Sales Tax fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$44,276 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2019.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions.

F. Interfund Transfers

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

- \$200,000 was transferred from the Highway Cash fund to the Emergency Transportation Revolving Fund (a trust and agency fund) for the repayment of a loan.
- \$66,991 was transferred from Highway Cash fund to HWY/CBRIF to correct apportionment errors from previous fiscal years.
- \$190,657 was transferred from the HWY/CBRIF fund to the Highway Cash fund to correct apportionment errors from previous fiscal years.

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

- \$112,683 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131(C).
- \$10,000 was transferred from the Sheriff Service Fee fund to the VOCA Grant fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$100 was transferred from the Trash Cop fund to the Litter Reward Revolving Fund (a trust and agency fund) to correct an apportionment error made in prior years.

The following funds were consolidated to prepare for the County's conversion to a new framework for the systematic reporting and accounting of county government transactions (Chart of Accounts):

- \$7,735 was transferred from the Sheriff - Courthouse Security fund to Sheriff Service Fee fund.
- \$28,310 was transferred from the Sheriff D.A.R.E. fund to the Sheriff Service Fee fund.

The following funds were closed out and transferred to the County General fund.

- \$290 from the Lake Patrol fund.
- \$1,261 from the Bureau of Justice fund.
- \$3,166 from the HMEP Planning Grant fund.
- \$18 from the CDBG 14 Flags Museum fund.
- \$40 from the Detention Shelter fund (a trust and agency fund).
- \$94 from the Office Justice Program fund (a trust and agency fund).
- \$426 from the Flood Plain fund (a trust and agency fund).

SUPPLEMENTARY INFORMATION

SEQUOYAH 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, 2019

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 967,477	\$ 967,477	\$ -
Less: Prior Year Outstanding Warrants	(107,765)	(107,765)	-
Less: Prior Year Encumbrances	(7,499)	(7,499)	-
Beginning Cash Balances, Budgetary Basis	852,213	852,213	-
 Residual Transfer	 -	 5,295	 5,295
 Total Receipts, Budgetary Basis	 2,558,904	 2,811,285	 252,381
 Total Expenditures, Budgetary Basis	 3,411,117	 2,755,564	 655,553
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 913,229	 \$ 913,229
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		22	
Add: Current Year Outstanding Warrants		105,371	
Add: Current Year Encumbrances		25,142	
Ending Cash Balance		\$ 1,043,764	

**SEQUOYAH 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, 2019**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 610,930	\$ 610,930	\$ -
Less: Prior Year Outstanding Warrants	(29,962)	(29,962)	-
Less: Prior Year Encumbrances	(11,897)	(10,933)	964
Beginning Cash Balances, Budgetary Basis	569,071	570,035	964
Total Receipts, Budgetary Basis	455,027	491,069	36,042
Total Expenditures, Budgetary Basis	1,024,098	303,259	720,839
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	757,845	\$ 757,845
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		38,907	
Add: Current Year Outstanding Warrants		56,064	
Ending Cash Balance		\$ 852,816	

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

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Flood Control	12.106		\$ 36,824
Total U.S. Department of Defense			<u>36,824</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		87,551
Total U.S. Department of the Interior			<u>87,551</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Office of Juvenile Affairs:			
Crime Victim Assistance	16.575	VOCA 2017	13,799
Crime Victim Assistance/Discretionary Grants	16.582	NCVRW	42,995
Total U.S. Department of Justice			<u>56,794</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Cherokee Nation			
Highway Planning and Construction	20.205		7,772,205
Total U.S. Department of Transportation			<u>7,772,205</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 4222	113,426
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4256	13,253
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4315	59,034
Total 97.036			<u>185,713</u>
Emergency Mangement Performance Grants	97.042	EMPG	2,452
Total U.S. Department of Homelaand Security			<u>188,165</u>
Total Expenditures of Federal Awards			<u>\$ 8,141,539</u>

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Sequoyah County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

Sequoyah County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

Eligible Expenditures Incurred in the Prior Fiscal Year

On May 26, 2015 the President of the United States approved a Major Disaster Declaration for Sequoyah County in response to Oklahoma severe storms, tornados, straight-line winds and flooding from May 5, 2015 to June 22, 2015. The County incurred \$113,426 in eligible expenditures in the prior fiscal year ending June 30, 2017. The Federal Emergency Management Agency approved project worksheets for this disaster in the fiscal year ending June 30, 2019. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$113,426 in eligible expenditures incurred in the fiscal year ending June 30, 2017 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2019.

On February 10, 2016 the President of the United States approved a Major Disaster Declaration for Sequoyah County in response to Oklahoma Severe Winter Storms and Flooding from December 26, 2015 to January 5, 2016. The County incurred \$6,213 in eligible expenditures in the prior fiscal year ending June 30, 2017 and \$23,086 in the prior fiscal year ending June 30, 2018. The Federal Emergency Management Agency approved project worksheets for this disaster in the fiscal year ending June 30, 2019. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$29,299 in eligible expenditures incurred in the fiscal years ending June 30, 2017 and June 30, 2018 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2019.

On May 26, 2017 the President of the United States approved a Major Disaster Declaration for Sequoyah County in response to Oklahoma Severe Winter Storms, Tornadoes, and Flooding from April 28, 2017 to May 2, 2017. The County incurred \$791 in eligible expenditures in the prior fiscal year ending June 30, 2016 and \$12,462 in eligible expenditures in the prior fiscal year ending June 30, 2017. The Federal Emergency Management Agency approved project worksheets for this disaster in the fiscal year ending June 30, 2019. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$13,253 in eligible expenditures incurred in the fiscal year ending June 30, 2016 and fiscal year ending June 30, 2017 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2019.

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
SEQUOYAH 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 Sequoyah County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprises Sequoyah County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 19, 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 Sequoyah 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 Sequoyah County's internal control. Accordingly, we do not express an opinion on the effectiveness of Sequoyah 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 questioned costs, 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 questioned costs to be material weaknesses: 2019-001 and 2019-005.

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 questioned costs to be significant deficiency 2019-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequoyah County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-005.

Sequoyah County's Response to Findings

Sequoyah County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Sequoyah 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

January 19, 2021

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
the Uniform Guidance**

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Sequoyah County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Sequoyah County's major federal program for the year ended June 30, 2019. Sequoyah County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Sequoyah 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Sequoyah County's compliance.

Basis for Qualified Opinion on CFDA 20.205 – Highway Planning and Construction

As described in Finding 2019-010 in the accompanying schedule of findings and questioned costs, Sequoyah County did not comply with requirements regarding the following:



Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-010	20.205	Highway Planning and Construction	Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Procurement and Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for Sequoyah County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 20.205 – Planning and Highway Construction

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Sequoyah County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 20.205 – Planning and Highway Construction for the year ended June 30, 2019.

Other Matters

Sequoyah County’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Sequoyah County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Sequoyah County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sequoyah County’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Sequoyah 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material

weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-007, 2019-008, 2019-009, and 2019-010, that we consider to be material weaknesses.

Sequoyah County's Response to Findings

Sequoyah County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Sequoyah County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

January 19, 2021

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:..... Adverse as to GAAP; unmodified 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?..... Yes
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-001 - Lack of County-Wide Internal Controls (Repeat Finding 2008-025, 2010-027, 2011-001, 2012-001, 2013-001, 2016-001, 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: While the county officers are meeting quarterly and discussing risks affecting all county departments, we were deficient in keeping a consistent record of these meetings. To correct this problem, we will be more diligent in signing in at these meetings as well as assigning one person to keep the minutes and approve previous minutes at these meetings to ensure all are in agreement of documented discussions.

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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 2019-005 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding 2006-001, 2008-003, 2011-007, 2012-007, 2013-007, 2016-006, 2017-006, 2018-005)

Condition: Upon inquiry of County personnel, observation of the County’s disbursement process, and testwork performed, the following was noted:

- The BOCC signature stamps are used by the BOCC secretary.

The audit of thirty-seven (37) purchase orders reflected the following exceptions:

- Three (3) were not timely encumbered.
- One (1) timesheet was not signed by the employee.
- Five (5) were for recurring bills and were not date stamped and/or did not have a receiving report attached.
- Three (3) did not have a receiving report or date stamped when received.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute and safeguard the County from unauthorized use of the Board of County Commissioner’s signature stamps.

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

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and supported by proper documentation. Timesheets should be signed by both the employee and supervisor /official. Additionally, OSAI recommends signature stamps be used only by the elected official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

County Clerk: The County Clerk’s office will remind all officers to encumber their funds and get a purchase order prior to making purchases and to date stamp when a utility bill is received. The purchasing

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

agent will start reviewing supporting documentation closer. We will check timesheets closer to ensure that they have all the signatures on them.

District 1, District 2, and District 3: Regarding the BOCC secretary using the signature stamp, the stamps will no longer be used other than by the Commissioners themselves. They will be locked in separate bags that only the Commissioners will have keys and access to.

Criteria: The GAO Standards – Section 2 – Objective of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505.

Finding 2019-006 – Lack of Internal Controls Over Bank Reconciliations and Investments (Repeat Finding 2016-009, 2017-009, 2018-006)

Condition: Upon inquiry of County personnel, observation and review of documents regarding bank reconciliations and investments, the following was noted:

- Bank reconciliations were not approved by someone other than the preparer.
- 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 designed and implemented to have levels of review over the processes performed, and to ensure accurate and proper accounting of funds. Additionally, policies and procedures have not been developed to ensure compliance with state statute in regard to investments.

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 designing and implementing internal controls that are critical functions of the office and having management review and approval of accounting functions. Additionally, 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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Management Response:

County Treasurer: I took office in January 2018 and began to correct some of the issues of inadequate internal controls. My staff now prepares a daily bank reconciliation and another person reviews and signs the reconciliation which is then attached to the daily bank statement as well as scanned to the daily general ledger. When I prepare the monthly SAI report, I use the last days reconciliation which has already been approved by two other people. In addition, I did not have an investment policy but I have since prepared an investment policy that was reviewed by the District Attorney and subsequently approved by the Board of County Commissioners in regular session.

Criteria: The GAO Standards – Principal 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, Principal 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.

Title 62 O.S. § 348.1 sets forth the guidelines for a written investment policy.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 3— Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2019-007 – Lack of Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA) (Repeat Finding – 2008-014, 2010-014, 2016-010, 2017-010, 2018-007)

PASS THROUGH GRANTOR: Cherokee Nation

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Procurement; Special Tests and Provisions

QUESTIONED COSTS: \$ -0-

Condition: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by federal regulations.

During our review and reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) as initially prepared by the County, the following misstatements were noted:

- The actual expenditures for Flood Control CFDA 12.106 were \$36,824 and the County reported \$27,618, resulting in an understatement of \$9,206.
- The actual expenditures for Payments in Lieu of Taxes CFDA 15.226 were \$87,551 and the County reported \$89,494, resulting in an overstatement of \$1,943.
- The actual expenditures for Crime Victim Assistance (2017) CFDA 16.575 were \$13,799 and the County reported \$43,408, resulting in an overstatement of \$29,609.
- The actual expenditures for Crime Victim Assistance (2018) CFDA 16.575 were \$42,995 and the County reported \$0, resulting in an understatement of \$42,995.
- The actual expenditures for Highway Planning and Construction CFDA 20.205 were \$7,772,205 and the County reported \$0, resulting in an understatement of \$7,772,205.
- The actual expenditures for Interagency Hazardous Materials Public Sector Training and Planning Grants CFDA 20.703 were \$0 and the County reported \$16, resulting in an overstatement of \$16.
- The actual expenditures for Disaster Grants-Public Assistance (Presidentially Declared Disasters) CFDA 97.036 were \$185,713 and the County reported \$263,566, resulting in an overstatement of \$77,853.

Reported Total Expenditures of Federal Award	\$ 426,554
Add: Flood Control (CFDA 12.106)	9,206
Less: Payments in Lieu of Taxes (CFDA 15.226)	(1,943)
Less: Crime Victim Assistance (2017) (CFDA 16.575)	(29,609)
Add: Crime Victim Assistance (2018) (CFDA 16.575)	42,995
Add: Highway Planning and Construction (CFDA 20.208)	7,772,205

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Less: Interagency Hazardous Materials Public Sector Training And Planning Grants (CFDA 20.703)	(16)
Less: Disaster Grants-Public Assistance (Presidentially Declared Disasters) CFDA 97.036	<u>(77,853)</u>
Actual Federal Expenditures of Federal Awards	<u>\$8,141,539</u>
Original SEFA understated by	<u>\$7,714,985</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

Effect of Condition: This condition resulted in the erroneous reporting and/or a material misstatement of the County’s Schedule of Expenditures of Federal Awards, and increases the potential for material noncompliance.

Recommendation: OSAI recommends the County Officials and Department Heads gain an understanding of federal programs awarded to Sequoyah County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

Management Response:

Chairman of the Board of County Commissioners: We are learning more each year about preparing the SEFA through research and the guidance of OSAI, as well as training when offered. We sincerely want our SEFA to be accurate and we will continue to strive to make that happen.

County Treasurer: The Treasurer’s office is very diligent in obtaining the expenditures of federal awards from the departments receiving these funds. We have begun tracking the receipts for federal monies as they come in to more accurately report deposits. I have personally informed all department heads of the importance of an organized filing system to expedite the process of reporting the expenditures to my office at the close of the fiscal year. I put together binders with the new chart of accounts and instructions (front and center) on reporting expenditures of federal monies. I am not sure what else I can do to girt up that end. We are learning new things each year about the SEFA through research and guidance of our field auditors as well as training, when offered. We sincerely want our SEFA to be correct and my office will never stop striving to make that happen.

Criteria: 2 CFR § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR § 200.508(b) *Auditee responsibilities* reads as follows:

The auditee must:

Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

2 CFR § 200.510(b) *Financial statements* reads, in part, as follows:

Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.

Further, GAO Standards – Section 2 – Objective of an Entity - OV2.23 states in part:

Compliance Objective

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Finding 2019-008 – Lack of County-Wide Controls Over Major Federal Programs – Highway Planning and Construction (Repeat Finding – 2008-015, 2010-015, 2016-011, 2018-008)

PASS-THROUGH GRANTOR: Cherokee Nation

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement, and Special Tests and Provisions

QUESTIONED COSTS: \$0

Condition: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed to ensure the County is in compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance with grant requirements.

Recommendation: OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Management Response:

County Commissioner District 1, District 2, & District 3: The county has decided to implement OSAI form #500 which includes discussion of federal requirements and we will make sure and document in our quarterly meeting.

Criteria: 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.

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

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

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.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

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 2019-009 – Lack of Internal Controls Over Major Federal Programs – Highway Planning and Construction

PASS-THROUGH GRANTOR: Cherokee Nation

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement, and Special Tests and Provisions

QUESTIONED COSTS: -\$0-

Condition: During the process of documenting the County’s internal controls regarding federal disbursements, we noted that Sequoyah County has not established procedures to ensure compliance with

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Procurement; and Special Tests and Provisions.

Cause of Condition: Policies and procedures have not been designed to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition resulted in noncompliance to grant requirements and could result in the loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for the program and implement internal control procedures to ensure compliance with requirements.

Management Response:

County Commissioner District 1: Sequoyah County will strive to gain more understanding and knowledge of said requirements and will continue to implement more internal controls to ensure compliance with federal requirements.

County Commissioner District 2: We will strive to gain more understanding and knowledge of said requirements and implement more internal controls to ensure compliance with federal requirements.

County Commissioner District 3: Sequoyah County will strive to gain more understanding and knowledge of said requirements and will continue to implement more internal controls to ensure compliance with federal requirements.

Criteria: 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.

2 CFR § 200.303 *Internal Controls (a)* reads as follows:

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2019-010 – Noncompliance with Compliance Requirements Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Procurement, and Special Test and Provisions – Highway Planning and Construction

PASS-THROUGH GRANTOR: Cherokee Nation

FEDERAL AGENCY: U.S. Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2019

CONTROL CATEGORY: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement, and Special Tests and Provisions

QUESTIONED COSTS: \$7,772,205

Condition: From the test of compliance requirements of the federal grant, we noted that the County received a payment of \$7,772,205 from Cherokee Nation as a sub-recipient of the Highway Planning and Construction Grant. Upon receipt of the grant monies, the County issued a single purchase order to a vendor (Oklahoma Department of Transportation) for \$7,772,205 as payment for the highway construction project. Therefore, the County was in noncompliance with the following compliance requirements: Activities Allowed, Allowable Costs/Cost Principles, Procurement, and Special Tests and Provisions. Below is a summarization of each noncompliance.

Activities Allowed or Unallowed:

- The payment was issued prior to any work being performed and prior to the date of authorization to proceed.
- The plan, specification, and estimates (PS&E) could not be obtained.

Allowable Costs/Cost Principles:

- Costs were not adequately documented, and an improper payment appears to have been made.
- Surface transportation program (STP) grant monies were also used for this project which were not allowed.

Procurement and Special Tests and Provisions:

- The County did not follow bidding and awarding of contracts based on the compliance supplement.
- Procurement standards set out at 2 CFR sections 200.318-200.326 were not followed.
- The County does not have quality assurance (QA) approved by the Federal Highway Administration.
- The expenditure was made prior to federal approval.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with compliance requirements.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Effect of Condition: This condition resulted in noncompliance with Federal Grant requirements and could result in loss of federal funds.

Recommendation: OSAI recommends the County gain an understanding of the requirements for this program and implement internal controls to ensure compliance with these requirements.

Management Response:

County Commissioner District 1: The County was essentially a pass-through recipient of the funding and we follow and abide by all the guidelines according to the process that Oklahoma Department of Transportation (ODOT) has set forth. However, the County does not monitor the project to its completion. It is also my understanding that ODOT has oversight over the Surface Transportation Program (STP) application process and function. We will take steps to meet with ODOT officials to make sure we continue to adhere to all the guidelines and procedures that have been set forth.

County Commissioner District 2: The process the ODOT has set forth requires that they have funding in hand prior to letting the project, to ensure that there is adequate funding available. During the portion of the process, the County procures the funding and ODOT deposits it into a project account, for that specific project. It is not to be used for any other project. It is monitored and spent as such. The County is basically a pass-through recipient of the funding; however, we monitor it until the project is completed. The County reviews all plans, specifications and estimates, as well as the ODOT engineers. We are their checks and balances and they are our checks and balances to ensure that we have a quality and viable responsible project. Once the project is let and awarded, the County, by virtue of the Circuit Engineering District (CED), places a project manager at the project. That person oversees all the construction from start to finish. This person is responsible for ensuring that all plans and specifications are adhered to and if they see any discrepancies that were missed or need to be omitted. That person calls the engineer for approval. The Commissioner is contacted as these questions arise and any input they may have is given and discussed. The Commissioner never handles any monies once the funding is placed in the construction account; however, we do see how the funding is spent. During the project, the funding will be spent in sequences as portions of the project are completed. Each portion, as it is completed, is billed through the CED and paid from ODOT. This ensures the contractor has monies to work with to complete the next phase of the project. This is passed through the Commissioners hands for review.

County Commissioner District 3: The County was essentially a pass-through recipient of the funding and we will follow and abide by all the guidelines according to the process that ODOT has set forth. However, the County does not monitor the project to its completion. It is also my understanding that ODOT has oversight over the STP application process and function. We will take steps to meet with ODOT officials to make sure we continue to adhere to all the guidelines and procedures that have been set forth.

Auditor Response: Per the memorandum of agreement the County was a sub-recipient of federal funding and not a pass-through recipient therefore, the County is required to comply with the federal grant requirements.

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

Title 2 CFR § 200.303(a) Internal Controls reads as follows:

The non-federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 2 CFR § 200.318 (a), *General procurement standards*, reads as follows:

a) The Non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. [...]

Title 2 CFR § 200.84 Questioned Cost reads as follows: Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for fund used to match Federal funds:
- (b) Where the cost, at the time of the audit, are not supported by adequate documentation:
- or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Further, GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. [...]

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Board of County Commissioners

Sequoyah County

117 So. Oak, Suite 112

Tallisaw, Oklahoma 74955-4655

Ph. 918-775-5539 Fax: 918-775-5530

E-Mail: seqcomm123@gmail.com

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2019

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Lack of County-Wide Internal Controls	While the county officers are meeting quarterly and discussing risks affecting all county departments, we were deficient in keeping a consistent record of these meetings. To correct this problem, we will be more diligent in signing in at these meetings as well as assigning one person to keep the minutes and approve previous minutes at these meetings to ensure all are in agreement of documented discussions.	We had our first meeting of 20/21 on 8/17/2020 and have another planned for 11/16/2020.	Ray Watts, BOCC Chairman
2019-005	Lack of Internal Controls and Noncompliance Over the Disbursement Process	The County Clerk's office will remind all officers to encumber their funds and get a purchase order prior to making purchases and to date stamp when a utility bill is received. The purchasing agent will start reviewing supporting documentation closer.	8/1/2020	Julie Haywood, County Clerk
2019-006	Lack of Internal Controls Over Bank Reconciliations and Investments	I took office in January 2018 and began to correct some of the issues of inadequate internal controls. My staff now prepares a daily bank reconciliation and another person reviews and signs the reconciliation which is then attached to the daily bank statement as well as scanned to the daily general ledger. When I prepare the monthly SAI report, I use the last days reconciliation which has already been approved by two other people. In addition, I did not have an investment policy during fiscal year 2018 or fiscal year 2019. I have since prepared an investment policy that was reviewed by the District Attorney and subsequently approved by the Board of County Commissioners in regular session.	July 2019	Angela Gist, County Treasurer

Board of County Commissioners

Sequoyah County

117 So. Oak, Suite 112

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2019-007	Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA)	We are learning new things each year about the SEFA through research and guidance of our field auditors as well as training, when offered. We sincerely want our SEFA to be correct and will never stop striving to make that happen.	8/1/2020	Ray Watts, BOCC Chairman
2019-008	Lack of County-Wide Internal Controls Over Major Federal Programs- Highway Planning and Construction	The county has decided to implement OSAI form #500 which includes discussion of federal requirements and we will make sure and document in our quarterly meeting.	8/12/2020	Ray Watts, BOCC Chairman
2019-009	Lack of Internal Controls over Major Federal Programs – Highway Planning and Construction	Sequoyah County will strive to gain more understanding of knowledge of said requirements and will continue to implement more internal controls to ensure compliance with federal requirements.	8/1/2020	Ray Watts, BOCC Chairman
2019-010	Noncompliance with Compliance Requirements Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Procurement, and Special Test and Provisions- Highway Planning and Construction	The county was essentially a pass-thru recipient of the funding and we follow and abide by all the guidelines according to the process that ODOT has set forth. However, the county does not monitor the project to its completion. It is also my understanding that ODOT has oversight over the STP application process and function. We will take steps to meet with ODOT officials to make sure we continue to adhere to all the guidelines and procedures that have been set forth.	1/1/2021	Ray Watts, BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management

Board of County Commissioners

Sequoyah County

117 So. Oak, Suite 112

Tallisaw, Oklahoma 74955-4655

Ph. 918-775-5539 Fax: 918-775-5530

E-Mail: seqcomm123@gmail.com

Summary Schedule of Prior Audit Findings in accordance with 2 CFR § 200.511b for the fiscal year ended June 30, 2019

FINANCIAL AUDIT FINDINGS

Finding 2008-025, 2010-027, 2011-001, 2012-001, 2013-001, 2016-001, 2017-001, 2018-001

Lack of County-Wide Internal Controls

Finding Summary: County-wide controls regarding Risk Management and Monitoring have not been designed.

Status: No Corrective action was taken. To correct this problem, we will be more diligent in signing in at the quarterly meetings as well as assigning one person to keep the minutes and approve previous minutes at these meetings to ensure all are in agreement of documented discussions.

Finding 2008-001, 2010-001, 2018-002

Lack of Disaster Recovery Plan

Finding Summary: The following offices did not have disaster recovery plans: County Treasurer, County Clerk, County Sheriff, Court Clerk, County Assessor, Commissioner's office County Commissioner District 1, District 2 and District 3.

Status: Fully Corrected

Finding 2006-001, 2008-003, 2011-007, 2013-007, 2016-006, 2017-006, 2018-005

Lack of Internal Controls and Noncompliance Over the Disbursement Process

Finding Summary: The BOCC signature stamps are used by the BOCC secretary. Three (3) of sixty (60) purchase orders were not timely encumbered. One disbursement for payroll did not contain a signature from the official and the employee. Six (6) were for reoccurring bills were not date stamped and/or did not have a receiving report attached. One (1) blanket purchase order did not contain a signature certifying that the blanket maximum had not been exceeded. One (1) did not have a receiving report or date stamped when received.

Status: Partially corrected. The County Clerk's office will remind all officers to encumber their funds and get a purchase order prior to making purchases and to date stamp when a utility bill is received. The purchasing agent will start reviewing supporting documentation closer. The BOCC secretary will no longer used signature stamps of the BOCC.

Finding 2016-009, 2017-009, 2018-006

Lack of Internal Controls Over Bank Reconciliations and Investments

Finding Summary: Bank reconciliations are not approved by someone other than the preparer. There was not an investment policy approved by the Board of County Commissioners to authorize the County Treasurer to make investments for FY2016.

Status: No Corrective action was taken. I have begun to correct some of the issues of inadequate internal controls since taking office. Daily bank reconciliations are now signed by both the preparer and reviewer. Also, I have now prepared an investment policy that was reviewed by the District Attorney and subsequently approved by the Board of County Commissioners in regular session.

FEDERAL AUDIT FINDINGS

Finding 2008-014, 2010-014, 2016-010, 2017-010, 2018-007

Lack of County-Wide Controls Over Schedule of Expenditures of Federal Awards

Pass-Through Grantor: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Federal Grant Award Number: DR-4222, DR-1754

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: During the audit we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were understated by \$178,680.

Status: No Corrective action was taken. We are learning new things each year about the SEFA through research and guidance of our field auditors as well as training, when offered. We sincerely want our SEFA to be correct and my office will never stop striving to make that happen.

Finding 2008-011, 2010-011, 2016-012, 2018-008

Lack of County-Wide Controls Over Major Federal Programs – FEMA

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4256, DR-4315

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Period of Performance; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Finding Summary: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Status: No Corrective action was taken. The county has decided to implement OSAI form #500 which includes discussion of federal requirements and we will make sure and document in our quarterly meeting.

Finding 2008-015, 2010-015, 2016-011, 2018-009

Lack of Internal Controls Over Major Federal Programs – FEMA

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants-Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR 4256, DR 4315

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Period of Performance; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Sequoyah County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; and Period of Performance.

Status: No Corrective action was taken. The county has decided to implement OSAI form #500 which includes discussion of federal requirements and we will make sure and document in our quarterly meeting.

Finding 2018-010

Lack of Internal Controls and Noncompliance with Compliance Requirement B-Allowable Costs/Cost Principles-Scope of Work

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4315

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$1,800

Finding Summary: A sample of six (6) sites totaling \$11,229 was selected for the audit from a population of sixty-four (64) sites totaling \$941,685. The test found one instance of noncompliance:

- Site 1 on project worksheet 93 required the installation of a culvert. The County failed to complete this portion of the scope of work resulting in questioned costs in the amount of \$1,800.

Status: No Corrective action was taken. This project will be completed within the next thirty (30) days with sufficient documentation to verify the work has been completed.

O·K·L·A·H·O·M·A
SAI
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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