



SEQUOYAH COUNTY

Financial Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

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June 30, 2022

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah County, Oklahoma for the fiscal year ended June 30, 2020. 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.

This report is 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.

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**SEQUOYAH COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

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**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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 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, 2020, 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, 2020, 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 total receipts, disbursements, and changes in cash balances for all county funds of Sequoyah County, as of and for the year ended June 30, 2020, 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 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 June 20, 2022, 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.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 20, 2022

REGULATORY BASIS FINANCIAL STATEMENT

SEQUOYAH COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General	\$ 1,043,764	\$ 2,985,189	\$ -	\$ -	\$ 2,914,766	\$ 1,114,187
County Highway Unrestricted	3,456,117	4,914,799	-	-	4,661,934	3,708,982
Health	852,816	512,996	-	-	653,289	712,523
Roads and Bridges - ST	1,097,514	1,468,165	-	-	1,494,697	1,070,982
Sheriff Service Fee	189,546	494,649	5,000	-	544,912	144,283
Resale Property	823,004	326,018	75,470	-	226,389	998,103
Assessor Revolving Fee	5,025	2,184	-	-	4,000	3,209
Community Service Sentencing Program	61,043	130,396	-	-	116,667	74,772
County Clerk Lien Fee	14,624	12,243	-	-	4,822	22,045
County Clerk Records Management and Preservation	106,212	63,770	-	-	55,677	114,305
Civil Defense - Emergency Management	4,355	-	-	-	2,627	1,728
Treasurer Mortgage Certification	41,159	7,140	-	-	1,348	46,951
Jail and Sheriff - ST	283,114	1,946,103	-	-	1,839,830	389,387
Sheriff Training Fund	633	-	-	-	623	10
Sheriff Drug Buy	70,992	1,550	-	41,359	29,633	1,550
Emergency Management Planning Grant	396	-	-	-	395	1
Rural Fire - ST	1,799,668	748,679	-	-	670,036	1,878,311
County Road and Bridge Improvement	630,304	669,990	-	-	254,611	1,045,683
Sheriff Commissary	47,507	174,485	-	-	166,568	55,424
Drug Court	191,036	194,294	-	-	184,978	200,352
Safe Oklahoma Grant	23,375	20,000	-	-	24,075	19,300
VOCA Advocate Grant	8,579	60,436	-	5,000	54,299	9,716
County Donations	-	15,000	-	-	-	15,000
CDBG Water System Construction	-	52,614	-	-	52,614	-
Sheriff Forfeiture	-	170,864	41,359	-	203,320	8,903
Mental Health Court Program	-	41,000	-	-	18,784	22,216
Total - All County Funds	\$ 10,750,783	\$ 15,012,564	\$ 121,829	\$ 46,359	\$ 14,180,894	\$ 11,657,923

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, 2020**

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 within the financial statement:

County General – accounts for the general operations of the government.

County Highway Unrestricted – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

Health – accounts for monies collected on behalf of the County Health Department from ad valorem taxes and state and local revenues. Disbursements are for the operations of the County Health Department.

Roads and Bridges - ST – accounts for the collection of sales tax revenues and the disbursement of funds as restricted by the sales tax ballot.

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, 2020

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 Revolving Fee – 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 offenders assigned to community sentencing for drug testing reimbursement and 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 Records Management and Preservation – accounts for fees collected by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records as restricted by state statute.

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

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

Jail and Sheriff - ST – accounts for the collection of sales tax revenues and the disbursement of funds as restricted by the sales tax ballot.

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.

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

Emergency Management Planning Grant – accounts for federal funds used to operate the County's emergency management program.

Rural Fire - ST – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

County Road and Bridge Improvement – accounts for monies received from the State of Oklahoma. Disbursements are for the purpose of constructing and maintaining county roads and bridges.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 Oklahoma 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 to aid victims of crimes.

County Donations – accounts for the receipt and disbursement of funds for restricted purposes.

CDBG Water System Construction – accounts for federal grant revenues. Disbursements are for water line system improvement for Lee Creek Rural Water District/Volunteer Fire Department.

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

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

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 allows 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, which specifies the format and presentation of such regulatory basis financial statements: 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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

2. Ad Valorem Tax

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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; however, 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

Sales Tax of January 11, 2000

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 ($\frac{2}{3}$ rd) to construction and one-third ($\frac{1}{3}$ rd) to operation and maintenance. Funds are accounted for in the Jail and Sheriff - ST fund.

Sales Tax of June 1, 2006

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 Rural Fire - ST fund.

Sales Tax of September 1, 2007

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 sales 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 Roads and Bridges - ST fund.

Sales Tax of December 1, 2009

The voters of Sequoyah County approved an unlimited one-half percent ($\frac{1}{2}\%$) 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 Jail and Sheriff - ST fund.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

E. Interfund Transfers

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

- \$5,000 was transferred from the VOCA Advocate Grant fund to the Sheriff Service Fee fund for repayment of operational transfer in accordance with 68 O.S. § 3021.
- \$75,470 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).
- \$41,359 was transferred from the Sheriff Drug Buy fund to the Sheriff Forfeiture fund per conversion of chart of accounts.

SUPPLEMENTARY INFORMATION

SEQUOYAH COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 2,000	\$ 1,999	\$ 1
County Sheriff	452,100	451,724	376
County Treasurer	127,467	92,186	35,281
County Commissioners	816,750	329,970	486,780
County Commissioners O.S.U. Extension	18,000	15,308	2,692
County Clerk	188,893	177,045	11,848
Court Clerk	151,625	151,078	547
County Assessor	60,333	59,933	400
Revaluation of Real Property	384,600	379,769	4,831
General Government	258,800	242,532	16,268
Excise - Equalization Board	3,400	1,870	1,530
County Election Expense	132,546	129,513	3,033
Insurance - Benefits	895,186	809,896	85,290
Emergency Management	35,400	32,260	3,140
County Audit Budget Account	56,478	56,478	-
Other Deductions	28,388	5,909	22,479
Total Expenditures, Budgetary Basis	<u>\$ 3,611,966</u>	<u>\$ 2,937,470</u>	<u>\$ 674,496</u>

SEQUOYAH COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,230,853	\$ 766,045	\$ 464,808
Total Expenditures, Budgetary Basis	\$ 1,230,853	\$ 766,045	\$ 464,808

**SEQUOYAH COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances 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, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Flood Control Projects	12.106		\$ 34,051
Total U.S. Department of Defense			<u>34,051</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		52,614
Total U.S. Department of Housing and Urban Development			<u>52,614</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		91,709
Total U.S. Department of the Interior			<u>91,709</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Office of Juvenile Affairs:			
Crime Victim Assistance	16.575		56,652
Total U.S. Department of Justice			<u>56,652</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Cherokee Nation			
Highway Planning and Construction	20.205		852,224
Passed Through the Oklahoma Highway Safety Office:			
Minimum Penalties For Repeat Offenders for Driving While Intoxicated	20.608		3,076
Passed Through Oklahoma Department of Emergency Management			
E-911 Grant Program	20.615		25,513
Total U.S. Department of Transportation			<u>880,813</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-4438	220,177
Total U.S. Department of Homeland Security			<u>220,177</u>
Total Expenditures of Federal Awards			<u>\$ 1,336,016</u>

SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 June 1, 2019, the President of the United States approved a Major Disaster Declaration for Sequoyah County in response to Oklahoma severe storms, straight-line winds, tornadoes, and flooding from May 7, 2019 to June 9, 2019. The County incurred \$122,835 in eligible expenditures in the prior fiscal year ending June 30, 2019. The Federal Emergency Management Agency approved project worksheets for this disaster in the fiscal year ending June 30, 2020. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing Number (ALN) 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) includes \$122,835 in eligible expenditures incurred in the fiscal year ending June 30, 2019, and all eligible expenditures that were incurred in the fiscal year ending June 30, 2020.

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 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 total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprise Sequoyah County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 20, 2022.

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 as of and for the year ended June 30, 2020, 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) as a basis for designing 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.

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. *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.

Our consideration of internal control was for the limited purpose described in the first 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2020-001 and 2020-005.

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 financial statement. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Sequoyah County's Response to Findings

Sequoyah County's response to the 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 the financial statement and, accordingly, we express no opinion on it.

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 20, 2022



**Independent Auditor's Report on Compliance for Each Major Federal Program
and Report 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, 2020. 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 ALN 20.205 – Highway Planning and Construction

As described in Finding 2020-012 in the accompanying schedule of findings and questioned costs, Sequoyah County did not comply with requirements regarding the following:

Assistance		Program (or Cluster) Name	Compliance Requirement
Finding #	Listing		
2020-012	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 ALN 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 ALN 20.205 – Planning and Highway Construction for the year ended June 30, 2020.

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 2020-009, 2020-010, 2020-011, and 2020-012 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 20, 2022

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unmodified as to regulatory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statement noted? No

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

Assistance Listing Number(s)

20.205

Name of Federal Program or Cluster

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, 2020**

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 2020-001 – Lack of County–Wide Internal Controls (Repeat Finding - 2008-025, 2010-027, 2011-001, 2012-001, 2013-001, 2016-001, 2017-001, 2018-001, 2019-001)

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: Sequoyah County has implemented OSAI form #500 which includes discussion of federal requirements and we will make sure to document this in our quarterly meetings starting in fiscal year 2021.

County Clerk: The County Officers started having quarterly meetings in fiscal year 2021 to discuss internal controls and will work to discuss more areas of concern under risk assessment and how to implement monitoring these risks.

County Treasurer: We started having quarterly officer meetings in fiscal year 2021 to discuss internal controls and areas of risks to the financial statement and will continue to do so going forward.

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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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 2020-005 – Lack of Internal Controls Over Presentation of Financial Statement (Repeat Finding - 2008-024, 2010-026)

Condition: The County has not designed and implemented internal controls to ensure the accurate presentation of the County’s financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the beginning cash balances, receipts apportioned, transfers in, and transfers out, disbursements, and ending cash balances were misstated as shown below:

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
Initial	\$10,559,897	\$14,818,629	\$1,120,329	\$45,252	\$14,976,843	\$11,476,759
Amended	<u>10,750,783</u>	<u>15,012,564</u>	<u>121,829</u>	<u>46,359</u>	<u>14,180,894</u>	<u>11,657,923</u>
Variance	<u>\$ (190,886)</u>	<u>\$ (193,935)</u>	<u>\$ 998,500</u>	<u>\$(1,107)</u>	<u>\$ 759,949</u>	<u>\$ (181,164)</u>

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County’s financial statement is accurately presented.

Effect of Condition: This condition resulted in the balances, apportionments, transfers, and disbursements for County funds to be misstated on the County’s financial statement.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the County's financial statement is accurately presented.

Management Response:

County Treasurer: In the future I will be more diligent in examining the numbers on the financial statement before submitting it.

Criteria: The GAO Standards – Principle 14 – Communicate Internally – 14.01 states in part:

Management should internally communicate the necessary quality information to achieve the entity's objectives.

Additionally, Principle 14 – Communication throughout the Entity states:

14.02 – Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.

14.04 – Management receives quality information about the entity's operational processes that flows up the reporting lines from personnel to help management achieve the entity's objectives.

Additionally, Principle 16 – Perform Monitoring Activities states in part:

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

Additionally, GAO Standards OV2.21 states in part: "Reporting objectives relate to the preparation of reports for use by the entity, its stakeholders, or other external parties. Objectives related to gathering and communication information needed by management to support decision making and evaluation of the entity's performance.

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

Agreement of the Responsibilities of Management

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Finding 2020-009 – Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA) (Repeat Finding - 2008-014, 2010-014, 2016-010, 2017-010 2018-007, 2019-007)

PASS THROUGH GRANTOR: N/A
FEDERAL AGENCY: N/A
ASSISTANCE LISTING: N/A
FEDERAL PROGRAM NAME: N/A
FEDERAL AWARD YEAR: 2020
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$-0-

Condition: During our audit we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$92,844.

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 inaccuracy in the recording of the federal expenditures on the SEFA.

Recommendation: OSAI recommends 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 new things each year about the SEFA through research and the 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.

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 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, 2020**

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 – 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.

Finding 2020-010 – Lack of County-Wide Controls Over Major Federal Programs – Highway Planning and Construction Grant (Repeat Finding –2008-015, 2010-015, 2016-011, 2018-008, 2019-008)

PASS-THROUGH GRANTOR: Cherokee Nation

FEDERAL AGENCY: U.S. Department of Transportation

ASSISTANCE LISTING: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2020

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, 2020**

Management Response:

Chairman of the Board of County Commissioners: Sequoyah County will implement a system of internal controls to ensure compliance with grant requirements. We will work with all County officials to discuss grants and federal monies Sequoyah County receives to ensure that proper internal controls are implemented during our quarterly officer meetings.

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 2020-011 – Lack of Internal Control Over Major Federal Programs – Highway Planning and Construction

PASS-THROUGH GRANTOR: Cherokee Nation

FEDERAL AGENCY: U.S. Department of Transportation

ASSISTANCE LISTING: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD YEAR: 2020

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, 2020**

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 and implemented to ensure federal expenditures are made in accordance with 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 the requirements for this program and implement internal controls to ensure compliance with these requirements.

Management Response:

Chairman of the Board of County Commissioners: 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(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).

Finding 2020-012 – Noncompliance with Compliance Requirements Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Procurement, and Special Tests and Provisions – Highway Planning and Construction (Repeat Finding 2019-010)

PASS-THROUGH GRANTOR: Cherokee Nation

FEDERAL AGENCY: U.S. Department of Transportation

ASSISTANCE LISTING: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL AWARD YEAR: 2020

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

QUESTIONED COSTS: \$852,224

Condition: From the test of compliance requirements of the federal grant, we noted that the County received a payment of \$852,224 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 \$852,224 as payment for the highway construction project. Therefore, the County was in noncompliance with the following compliance requirements: Activities Allowed or Unallowed; 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 outlined in *2 CFR sections 200.318-200.326* were not followed.
- The County does not have quality assurance 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 compliance with federal grant requirements.

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 design and implement internal controls to ensure compliance with these requirements.

Management Response:

Chairman of the Board of County Commissioners: 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 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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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(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).

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

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.
[....]

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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Finding 2020-013 – Lack of Internal Controls and Segregation of Duties Over the Court Fund Collection and Disbursements Processes

Condition: Upon inquiry and observation of the Court Clerk’s collection and disbursement processes the following was noted:

- The Court Clerk does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- All employees issue cash receipts, work from one cash drawer and can balance the cash drawer at end of day.
- Claims are approved and signed by the District Judge and Associate Judge after disbursements are made.
- The computer system does not prevent unauthorized persons from voiding receipts; the void report is not monitored.
- There is no documentation that start-up cash has been verified.
- The cash deposit is not re-counted by another deputy.

Additionally, it was noted that the Court Clerk has three (3) signature stamps that are not adequately safeguarded.

Cause of Condition: Policies and procedures have not been designed and implemented in regard to the collection and disbursement processes of the Court Fund. Additionally, policies and procedures have not been designed and implemented to safeguard the County from unauthorized use of the signature stamps.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the following:

- Management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- All employees issuing receipts operate from separate cash drawers. The cash drawer should be closed out, reconciled to the employee's daily receipts, and be approved by someone independent of the cash drawer and making the deposit.
- All claims be approved prior to issuance of the payment.
- The voided receipt report be monitored.
- Verify beginning start-up cash daily.
- Signature stamps should be used only by the official to whom it belongs. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.
- The daily deposited be reviewed by someone other than the preparer.

Management Response:

Court Clerk: I took office January 3, 2021; however I will work to ensure that there is a second deputy assigned to preparing the end of month reports, printing of vouchers, taking vouchers to be registered and the mailing of vouchers. As of this date we only have one cash drawer, we have never had any problems, however I am looking into giving each deputy their own cash bag to see if this will work for my office. We will work on getting the court fund claim process corrected. I will contact our system provider about putting security in place for the voiding of receipts. The voided receipt report will be viewed and documentation retained of this review. We do count our start up cash in the morning and at end of day, we will start collecting our adding machine tapes that will include deputy's initials and dates and retain those. The cash deposit will be recounted by another deputy. My signature stamp is now locked and secured for the Court Clerk's use only.

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

Segregation of Duties

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

Additionally, Principle 10 – Segregation of Duties states:

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

The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's asset.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Finding 2020-014 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Condition: Upon inquiry and review over the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following was noted:

Inmate Trust Fund Checking Account:

- Inmate ledger balances are not reconciled to the bank statement.
- The Inmate Trust Checking II account has an unidentified balance of approximately \$10,000.
- A debit card inventory log is not maintained.
- There is no policy or procedure regarding unclaimed funds.
- One employee retrieves the cash from the kiosks and lockbox, prepares the bank deposit, takes the deposit to the bank, retrieves payments from the safe, has access to the keys to the kiosks and lockboxes, issues and signs checks from the Inmate Trust Fund Checking Account.

Sheriff Commissary Fund:

- Commissary and phone contracts are not approved by the Board of County Commissioners.
- Inmate phone profits are not being deposited into the Sheriff Service Fee fund.
- An annual commissary report was not filed with the Board of County Commissioners by January 15th of each year.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure financial transactions regarding the Inmate Trust Fund Checking Account and Sheriff Commissary fund are made in compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- The inmates' ledger balances and deposits should be reconciled to the bank statements each month for all inmate trust bank accounts.
- Maintain an accurate inventory log of the debit cards. This would include maintaining the number of cards received, issue, and balance of cards on hand.
- Policies and procedures should be designed and implemented to ensure disposition of inmates unclaimed property funds are handled in accordance with 22 O.S. § 1325.
- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- All contracts should be renewed and approved by the Board of County Commissioners annually.
- Proceeds from phone services shall be deposited in the Sheriff's Service Fee fund in accordance with 19 O.S. § 180.43 (E).

**SEQUOYAH COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- The Sheriff should complete and file a report of the commissary with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (D).

Management Response:

County Sheriff:

- A reconciliation of inmate trust fund checking to the inmate balances will be performed.
- Inmate Trust Fund #2, has been in existence for 20 years, but has not been used in any way, for at least 10 years. In 2020, we asked the District Attorney and the Board of County Commissioners to authorize the dissolution of this account, and further asked for a determination of how to dissipate the \$10,000 that has sat, unclaimed, in this account for several years. There has been no direction given to us at this time, of how to move forward. We will re-visit this issue with our District Attorney.
- A debit card log will be created, to track the issuance of inmate debit cards.
- We are seeking direction from the District Attorney, as to procedures for unclaimed inmate trust fund monies. This will be a continual process after procedures are in place to prevent having unidentified unclaimed property in the future.
- Procedures will be put in place to utilize a second employee to assist with the removal of cash from the kiosks, lock boxes and safe.
- All contracts for the Sequoyah County Sheriff and Detention Center will be approved by the Board of County Commissioners.
- Proceeds from the phone services will be deposited into the Sheriff's Service Fee fund.
- An annual report of the commissary will be filed with the Board of County Commissioners.

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

Segregation of Duties

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

Additionally, Principle 10 – Segregation of Duties states:

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

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 22 O.S. § 1325 (F, H) outlines the procedures for handling unclaimed property.

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

Title 19 O.S. § 180.43 (E). states in part, “...Each county sheriff may operate, or contract the operation of, a telephone system for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Service Fee Account.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Board of County Commissioners

Sequoyah County

117 So. Oak, Suite 112

Pallisaw, Oklahoma 74955-4655

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

E-Mail: seqcomms23@gmail.com

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2020

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	Lack of County-Wide Internal Controls	Sequoyah County has implemented OSAI form #500 which includes discussion of federal requirements and we will make sure to document this in our quarterly meetings starting in fiscal year 2021.	7/1/2021	Ray Watts, BOCC Chairman
2020-005	Lack of Internal Controls over Presentation of Financial Statement	In the future I will be more diligent in examining the numbers on the financial statement before submitting it.	7/1/2022	Angela Gist, County Treasurer
2020-009	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 the 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.	7/1/2022	Ray Watts, BOCC Chairman
2020-010	Lack of County-Wide Internal Controls Over Major Federal Programs-Highway Planning and Construction	Sequoyah County will implement a system of internal controls to ensure compliance with grant requirements. We will work with all County officials to discuss grants and federal monies Sequoyah County receives to ensure that proper internal controls are implemented during our quarterly officer meetings.	7/1/2022	Ray Watts, BOCC Chairman
2020-011	Lack of Internal Controls over Major Federal Programs – Highway Planning and Construction	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.	7/1/2022	Ray Watts, BOCC Chairman

E-Mail: seqcomm123@gmail.com

[illegible]

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

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**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2020**

FINANCIAL AUDIT FINDINGS

Finding 2008-025, 2010-027, 2011-001, 2012-001, 2013-001, 2016-001, 2018-001, 2019-001

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 2006-001, 2008-003, 2011-007, 2013-007, 2016-006, 2018-005, 2019-005

Lack of Internal Controls and Noncompliance Over the Disbursement Process

Finding Summary: Three of thirty-seven (37) purchase orders were not timely encumbered. One (1) disbursement for payroll did not contain a signature from 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.

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.

Finding 2016-009, 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: 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, 2018-007, 2019-007

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

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-

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 \$7,714,985.

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, 2019-008

Lack of County-Wide Controls Over Major Federal Programs – FEMA and Highway Planning and Construction

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management; Cherokee Nation

FEDERAL AGENCY: U.S. Department of Homeland Security; U.S. Department of Transportation

CFDA NO: 97.036; 20.205

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance (Presidentially Declared Disasters); Highway Planning and Construction

FEDERAL AWARD NUMBER: DR-4256, DR-4315

FEDERAL AWARD YEAR: 2018;2019

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Period of Performance; Procurement 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 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-

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; Procurement and Special Tests and Provisions.

Status: No Corrective action was taken. 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.

Finding 2019-010

Noncompliance with Compliance Requirements Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement, and Special Tests 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

Finding Summary: 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.

Status: No Corrective action was taken. 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.

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.



Cindy Byrd, CPA | State Auditor & Inspector

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