

COUNTY AUDIT

SEQUOYAH COUNTY

For the fiscal year ended June 30, 2008



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



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

**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Oklahoma State Auditor & Inspector

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June 8, 2012

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah County, Oklahoma for the fiscal year ended June 30, 2008. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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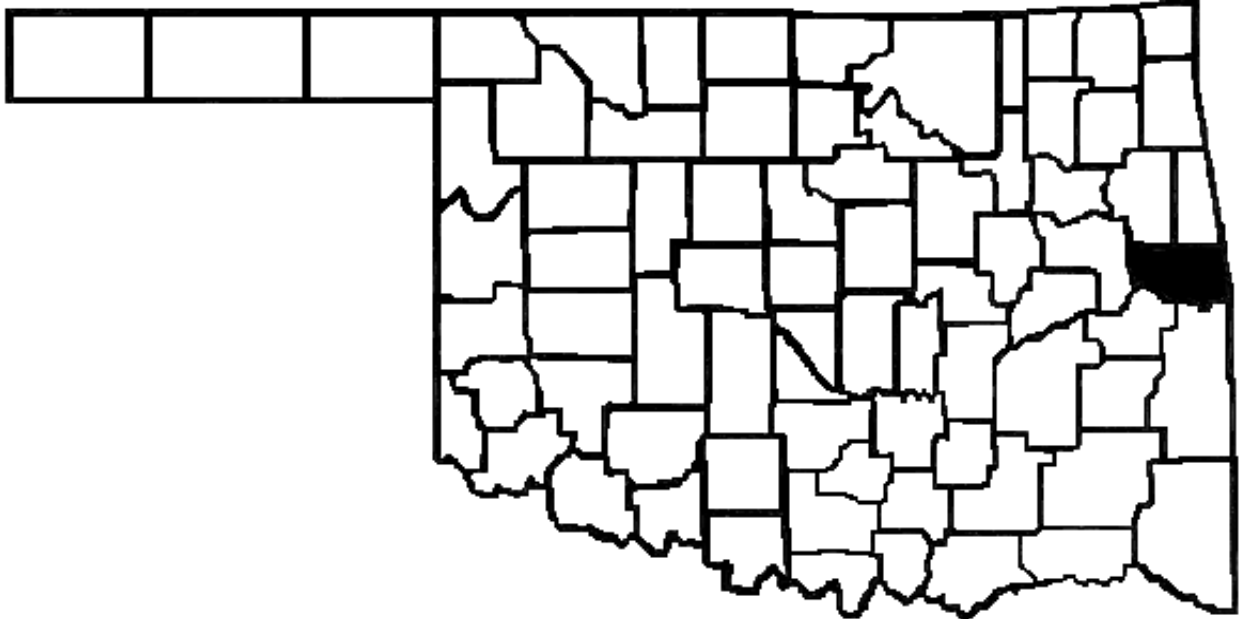
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**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**REPORT TO THE CITIZENS
OF
SEQUOYAH COUNTY, OKLAHOMA**



Once a part of Arkansas, this county was created at statehood, and named for the Sequoyah District of the Cherokee Nation, Indian Territory. Sequoyah was the Cherokee linguist who developed an alphabet for his people. Sallisaw is the county seat.

Agriculture is a mainstay of the county's economy, with grain and cattle being major products. Applegate Cove, Cowlington Point, and Short Mountain Cove are among the many campgrounds available in the county. Lake Tenkiller and Robert S. Kerr Reservoir also afford recreational opportunities.

County Seat – Sallisaw

Area – 714.88 Square Miles

County Population – 40,868
(2005 est.)

Farms – 1,259

Land in Farms – 222,350 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY ASSESSOR
Donna Graham

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK
Donna Jamison

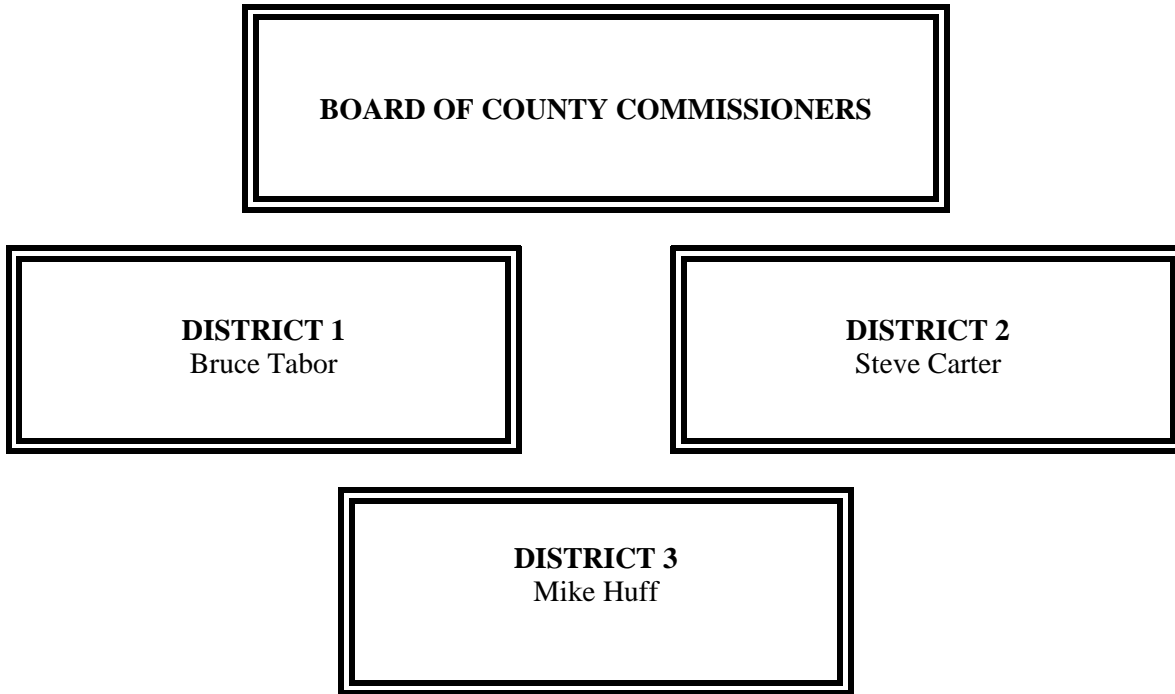
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY SHERIFF
Johnny Philpot

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Trica Yates

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COURT CLERK
Maudeen Vann

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY
Jerry Moore

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**SEQUOYAH COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ELECTION BOARD SECRETARY
Kathy Webb

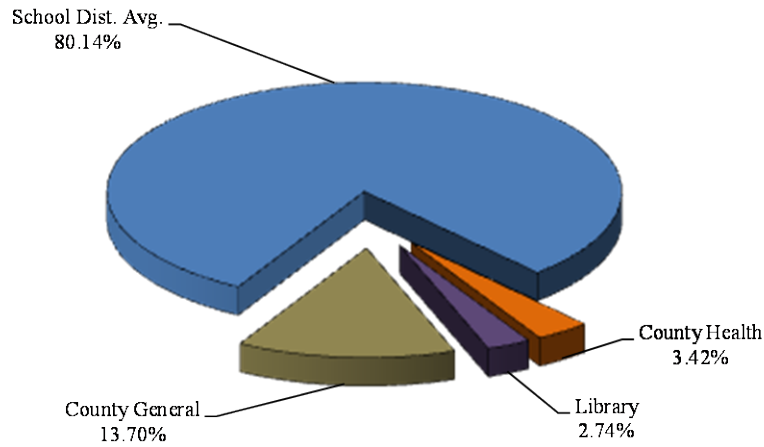
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.00			35.00	5.00		10.00	4.00	54.00
County Health	2.50	Sallisaw	I-1	35.00	5.00		10.00	4.00	54.00
Library	2.00	Vian	I-2	35.00	5.00	17.41	10.00	4.00	71.41
		Muldrow	I-3	35.00	5.00		10.00	4.00	54.00
		Gans	I-4	35.00	5.00	12.46	10.00	4.00	66.46
		Roland	I-5	35.00	5.00		10.00	4.00	54.00
		Gore	I-6	35.00	5.00		10.00	4.00	54.00
		Central	I-7	35.00	5.00		10.00	4.00	54.00
		Liberty	D-1	35.00	5.00	10.64	10.00	4.00	64.64
		Marble City	D-35	35.00	5.00		10.00	4.00	54.00
		Brushy	D-36	35.00	5.00	5.16	10.00	4.00	59.16
		Belfonte	D-50	35.00	5.00		10.00	4.00	54.00
		Moffett	D-68	35.00	5.00	12.96	10.00	4.00	66.96
		Braggs	I-46	35.00	5.00		10.00	4.00	54.00

See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Total net assessed value as of January 1, 2007		<u>\$ 146,004,137</u>
Debt limit - 5% of total assessed value		7,300,207
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 7,300,207</u>

See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

	2008
Estimated population	40,868
Net assessed value as of January 1, 2007	\$ 146,004,137
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	\$ 21,500,548	\$ 16,775,516	\$ 118,268,773	\$ 10,540,700	\$ 146,004,137	\$ 1,327,310,336

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Sequoyah County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Sequoyah County as of June 30, 2008, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Sequoyah County, for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2012, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

May 23, 2012

Basic Financial Statement

**SEQUOYAH COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Combining Information:	Beginning	Receipts		Ending
	Cash Balances July 1, 2007	Apportioned	Disbursements	Cash Balances June 30, 2008
County General Fund	\$ 692,204	\$ 2,515,542	\$ 2,648,889	\$ 558,857
T-Highway	1,715,069	3,446,910	3,265,821	1,896,158
County Health	170,219	373,810	404,804	139,225
Sales Tax Revolving Fund	868,249	1,262,221	1,013,899	1,116,571
Sheriff Service Fee	154,561	175,915	160,901	169,575
Resale Property	99,242	208,634	90,364	217,512
Assessor Fee Revolving	6,702	2,969	887	8,784
Assessor Visual Inspection	1,110			1,110
Community Service Sentencing Program	94,177	95,061	70,247	118,991
County Clerk Lien Fee	8,141	5,210	11,499	1,852
County Clerk Preservation	187,370	48,933	16,452	219,851
Civil Defense "Emergency Management"	14,671	44,051	47,310	11,412
Mortgage Certification Fee	55,750	10,750	5,788	60,712
County Jail Sales Tax	205,503	518,181	654,432	69,252
Sheriff Training Fund	3,021		2,642	379
Lake Patrol	278		167	111
Sheriff Drug Fund	3,874		1,500	2,374
Trash Cop	2,288			2,288
Community Development Block Grant		88,736	88,736	
Sequoyah County Fair Board	5,470	28,467	18,355	15,582
HMEP Planning Grant	(345)		84	(429)
Bureau of Justice Grant	1,262	58,297	62,989	(3,430)
Local Law Enforcement Grant	11,095			11,095
Fire Department Sales Tax	296,889	631,047	231,899	696,037
Sheriff Equipment	16			16
Sheriff STOP Grant	781			781
CDBG 14 Flags Museum	18			18
COPS Grant		62,188		62,188
Combined Total--All County Funds	\$ 4,597,615	\$ 9,576,922	\$ 8,797,665	\$ 5,376,872

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, 2008**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Sequoyah County, Oklahoma. The financial statement referred to includes only the primary government of Sequoyah County, Oklahoma, and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

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 funds included as supplementary information within the financial statement:

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

T-Highway – revenues are from state imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the county health department.

Sales Tax Revolving Fund – revenues are from a county sales tax. Disbursements are for road and highway construction and maintenance.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Resale Property – revenues are from interest and penalties on ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Assessor Fee Revolving – revenues are from copy fees charged by the Assessor. Disbursements are for any lawful expense of the Assessor’s office.

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

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

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

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

Civil Defense “Emergency Management” – revenues are from state and federal funds. Disbursements are for civil defense.

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

County Jail Sales Tax – revenues are from a county sales tax. Disbursements are for the construction and maintenance of a modern jail facility.

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

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

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

Trash Cop – revenues are from grant collections. Disbursements are to enforce trash dumping laws.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Community Development Block Grant – revenues are from a federal grant. Disbursements are for Rural Water District Improvements.

Sequoyah County Fair Board – revenues are from donations and grants. Disbursements are for expenses relating to the County Fair.

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

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

Local Law Enforcement Grant – revenues are from federal grants. Disbursements are for various law enforcement expenses.

Fire Department Sales Tax – revenues are from a county sales tax. Disbursements are for County Fire Departments.

Sheriff Equipment – revenues are from a federal grant. Disbursements are for law enforcement equipment.

Sheriff STOP Grant – revenues are from federal grant money. Disbursements are for payroll and benefits of Sheriff's officers.

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

COPS Grant – revenues are from a federal grant. Disbursements are to help pay for deputy overtime.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, cities and towns and county library. 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.

C. Basis of Accounting

The basic 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 cash

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

basis financial presentation is not a comprehensive measure of economic condition or changes therein.

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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

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).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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.

G. Compensated Absences

Vacation benefits are earned by the employee during the year and may not be accumulated. Employees with service years from 7 months to less than 5 years earn 10 days per year. Employees with 5 service years but less than 10 years earn 12 days per year. Employees with service years up to 10 but less than 15 years earn 14 days. Employees with service years up to 15 but less than 20 years earn 16 days per year. Employees with 25 years and over earn up to 20 days per year. Vacation leave is accrued monthly. With voluntary separation and proper notice given, unused vacation leave is paid upon termination. Without notice, unused vacation leave is paid upon termination at the discretion of the officer.

Sick leave benefits are accrued at the rate of 10 hours per month and employees may accumulate up to 30 days. Sick leave is not paid upon termination.

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."

The assessed property value as of January 1, 2007, was approximately \$146,004,137.

The County levied 10.00 mills (the legal maximum) for general fund operations, 2.50 mills for county health department, and 2.00 mills for county library. In addition, the County collects the ad valorem taxes assessed by school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Current year tax collections for the year ended June 30, 2008, were approximately 95.52 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

6. 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,

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$364,803, \$312,967, and \$265,695, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. 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.

8. 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.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

9. Sales Tax

The voters of Sequoyah County approved a ¼% sales tax effective June 1, 2006; this sales tax will be permanent. Of the ¼% sales tax, 95% will be split evenly between the twenty one fire departments and 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.

The voters of Sequoyah County approved a ½% sales tax effective September 2007, which replaces the original sales tax that went into effect in 1998; this sales tax shall be continuing and indefinite until rescinded by vote of the people of Sequoyah County. This sales tax was established to purchase 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.

The voters of Sequoyah County approved a ½% sales tax effective in 1998; the monthly revenues of said tax to the general fund for the Sequoyah County Sheriff's Department and Sequoyah County Jail. This sales tax shall be for 10 years to be voted upon every five years thereafter to extend the same.

The voters of Sequoyah County approved a ½% sales tax effective January 11, 2000, for which 2/3rds of the ½ cent is to be used for construction and to run the jail for seven years. The other 1/3 of ½ cent is to be used for the operation of the jail and is unlimited in duration.

10. Reclassification

Due to the reclassification of funds for fiscal year ending June 30, 2008, the ending balance as reported is different than the June 30, 2007, beginning balance. The difference is due to three funds being reported as a trust and agency fund in fiscal year 2007 that should have been classified as a county fund, and one fund being reported as a county fund that should have been a trust and agency fund, resulting in a decrease of \$58,926.

Prior Year Ending as Reported	\$ 4,656,541
Funds Moved to County Funds	815
Fund Moved to Trust & Agency Funds	<u>(59,741)</u>
Prior Year Ending Balance as Restated	<u>\$ 4,597,615</u>

OTHER 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, 2008

	General Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 692,204	\$ 692,204	\$ -
Less: Prior Year Outstanding Warrants	(197,019)	(197,019)	
Less: Prior Year Encumbrances	(47,973)	(44,203)	3,770
Plus: Estopped/Cancelled Warrants	-	85	85
Beginning Cash Balances, Budgetary Basis	<u>447,212</u>	<u>451,067</u>	<u>3,855</u>
Receipts:			
Ad Valorem Taxes	1,386,056	1,446,954	60,898
Charges for Services	171,087	189,823	18,736
Intergovernmental Revenues	413,084	450,347	37,263
Miscellaneous Revenues	268,959	428,418	159,459
Total Receipts, Budgetary Basis	<u>2,239,186</u>	<u>2,515,542</u>	<u>276,356</u>
Expenditures:			
District Attorney	2,000		2,000
County Sheriff	598,730	597,782	948
County Treasurer	127,467	127,438	29
County Commissioners	191,244	119,549	71,695
OSU Extension	34,716	33,358	1,358
County Clerk	180,319	169,831	10,488
Court Clerk	127,053	127,053	
County Assessor	59,476	58,233	1,243
Revaluation of Real Property	267,000	258,013	8,987
General Government	289,449	271,783	17,666
Excise-Equalization Board	7,500	1,950	5,550
County Election Board	105,914	96,370	9,544
Insurance	635,934	602,959	32,975
Civil Defense	32,000	29,691	2,309
County Audit Budget	27,596	27,596	
Total Expenditures, Budgetary Basis	<u>2,686,398</u>	<u>2,521,606</u>	<u>164,792</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	445,003	<u>\$ 445,003</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		20,342	
Add: Current Year Outstanding Warrants		93,512	
Ending Cash Balance		<u>\$ 558,857</u>	

The accompanying note to the other supplementary information is an integral part of this schedule.
See independent auditor's report.

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, 2008

	County Health Department Fund		
	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 170,219	\$ 170,219	\$ -
Less: Prior Year Outstanding Warrants	(48,383)	(48,383)	
Less: Prior Year Encumbrances	(8,346)	(8,196)	150
Plus: Warrants Estopped/Cancelled		488	488
Beginning Cash Balances, Budgetary Basis	113,490	114,128	638
Receipts:			
Ad Valorem Taxes	332,528	361,756	29,228
Charges for Services		8,322	8,322
Miscellaneous Revenues	1,201	3,732	2,531
Total Receipts, Budgetary Basis	333,729	373,810	40,081
Expenditures:			
Health and Welfare	447,219	354,280	92,939
Total Expenditures, Budgetary Basis	447,219	354,280	92,939
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	133,658	\$ 133,658
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		2,432	
Add: Current Year Outstanding Warrants		3,135	
Ending Cash Balance		\$ 139,225	

The accompanying note to the other supplementary information is an integral part of this schedule.
See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Budgetary Schedules

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

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

See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Passed Through Oklahoma Department of Commerce:			
Flood Control Projects	12.106	Flood Control	\$ 18,471
Total U.S. Department of Defense			<u>18,471</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CDBG 07	88,736
Total U.S. Department of Housing and Urban Development			<u>88,736</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	PILT	45,681
Total U.S. Department of Interior			<u>45,681</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Office of Juvenile Affairs:			
Public Safety Partnership and Community Policing Grants	16.710	COPS-2007-CKWX0295	108,276
Total U.S. Department of Justice			<u>108,276</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1678	30,480
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1712	167,019
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1752	168,314
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1754	91,132
Total CFDA 97.036			<u>456,945</u>
Emergency Management Performance Grants	97.042	EMPG	14,800
Total U.S. Department of Homeland Security			<u>471,745</u>
Total Expenditures of Federal Awards			<u>\$ 732,909</u>

The accompanying note is an integral part of this schedule.
See independent auditor's report.

**SEQUOYAH COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2008, which 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 May 23, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting. 2008-9

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 in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2008-1, 2008-3, 2008-4, 2008-5, 2008-6, 2008-7, 2008-8, 2008-10, 2008-16, 2008-19, 2008-24, 2008-25

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequoyah County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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



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

May 23, 2012



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Sequoyah County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Sequoyah County's major federal program for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Sequoyah County's management. Our responsibility is to express an opinion on Sequoyah County's compliance based on our audit.

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

As described in item 2008-12, in the accompanying schedule of findings and questioned costs, Sequoyah County did not comply with requirements regarding Reporting that are applicable to its *Disaster Grants – Public Assistance (97.036)* program. Compliance with such requirements is necessary, in our opinion, for Sequoyah County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

Management of Sequoyah County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to

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

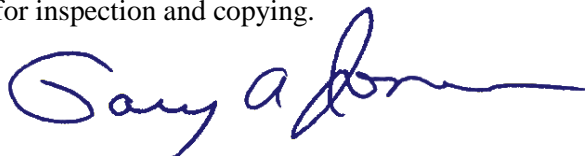
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-11 and 2008-12 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as items 2008-14 and 2008-15 to be significant deficiencies.

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

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



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

May 23, 2012

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

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

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 section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 2008-1 – Disaster Recovery Plan, Computer Usage Policies, and Passwords

Condition: Sequoyah County’s Disaster Recovery Plan has not been updated since 2004 and the names and numbers in that plan are no longer valid. Also, the County Treasurer does not have policies and procedures that detail the duties performed on the computers or a plan that forecasts and budgets for the future computer needs. Computers in the Treasurer’s Office are password protected, but they do not require users to change passwords after a given period of time.

Cause of Condition: Procedures have not been designed to develop and implement a Disaster Recovery Plan and policies and security for the appropriate use of county computer equipment.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. Without an IT security policy in place, the County Treasurer’s Office is at risk of a loss of financial and taxpayer data as well as a risk for misappropriation of county funds.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan which is stored offsite. The County should study and act on different proposals to ensure that backup tapes of all records in the County are stored in a safe, secure and remote location, off the premises from the courthouse, where information could be easily retrieved by authorized personnel in the event of a disaster. The County Treasurer should also establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees. OSAI further recommends that computers are set to require a password to sign into after a period of inactivity, set to expire and change after a given period of time.

Management Response: Management did not respond.

Criteria: According to the standards of the Information Systems Audit and Control Association’s (COBIT Delivery & Support 4.3), management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the Recovery Plan,
- Emergency procedures to ensure the safety of all affected staff members,
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel,
- Listing of systems requiring alternatives (hardware, peripherals, software),
- Listing of highest to lowest priority applications, required recovery times and expected performance norms,

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution,
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined,
- Training and/or awareness of individual and group roles in continuity plan,
- Listing of contracted service providers,
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation,
- Current names, addresses, telephone/pager numbers of key personnel,
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

According to the standards of the Information Systems Audit and Control Association (CobiT 4.1, Delivery and Support, 5.3 Identity Management), information services function management should ensure that all users (internal, external, and temporary) and their activity on IT systems (business application, IT environment, system operations, development, and maintenance) are uniquely identifiable. Enable user identities via authentication mechanisms. Confirm that user access rights to systems and data are in line with defined and documented business needs and that job requirements are attached to user identities. Ensure that user access rights are requested by user management, approved by system owners and implemented by the security-responsible person. Maintain user identities and access rights in a central repository. Deploy cost-effective technical and procedural measures, and keep them current to establish user identification, implement authentication and enforce access rights.

Finding 2008-3 - Purchasing

Condition: The test of 27 purchase orders revealed the following exceptions:

- Purchase orders from the General Government account, which totaled \$843.77, could not be located in two instances.
- Purchase order #2388 from the General Government account did not have a receiving report attached verifying that goods and/or services had been received.
- Purchase order #1438 from the General Government account did not have support documentation attached.

Cause of Condition: Procedures have not been designed to ensure all documentation supporting county expenditures is attached to purchase orders and all purchase orders are retained by the County Clerk until such time as allowed for destruction of documents.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Effect of Condition: The County is not following internal control and purchasing procedures, which could result in undetected errors and/or misappropriation of assets.

Recommendation: OSAI recommends management take steps to ensure that disbursement records are properly maintained at the County Clerk's office and all expenditures have adequate supporting documentation.

Management Response: Management did not respond.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

To help ensure a proper accounting of funds, all documentation supporting county expenditures, including purchase orders, invoices, etc., should be retained by the County Clerk until such time as allowed for destruction of documents.

Title 19 O.S. § 1505.E.10 states in part:

Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report and e. delivery document.

Title §1505 E. provides for the procedures for the receipt of items.

Finding 2008-4 – Bank Reconciliations and Account not on General Ledger (Repeat Finding)

Condition: Based on the test work performed, there was no indication of review of the bank reconciliations. It was also noted that the Federal Tax Account and Payroll Tax Account are not being reconciled. Also, the Federal Tax Account was not on the General Ledger.

Cause of Condition: Procedures have not been designed to ensure all accounts are reconciled, approved, and on the General Ledger.

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

Recommendation: OSAI recommends all accounts be reconciled on a monthly basis and in a timely manner and that the Treasurer ensures that all bank reconciliations reflect an indication of review that they are approved by someone other than the preparer. Also, the Payroll Account & Federal Tax Account activities should be included on the General Ledger.

Management Response: Management did not respond.

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Criteria: To help ensure a proper accounting of funds, all bank accounts identified with the County's tax identification number should be included on the general ledger. Bank reconciliations should be performed on a monthly basis and approved by someone other than the preparer and include an indication of review.

Finding 2008-5 – General Ledger Fund Balances

Condition: At June 30, 2008, the HMEP Planning Grant and the Bureau of Justice Fund accounts had cash balance deficits of \$429.03 and \$3,430.67, respectively. It was also noted that the balance for the Resale Property Fund on the General Ledger did not match the balance on the monthly report at June 30, 2008. There was a \$411 difference due to a transfer being booked on the monthly reports, but not on the General Ledger until July 1, 2008.

Cause of Condition: Procedures have not been designed to ensure that cash is available prior to registering warrants and that the monthly reports reconcile with the General Ledger.

Effect of Condition: This results in expending amounts greater than funds available and inaccurate financial reports.

Recommendation: OSAI recommends the County Treasurer verify cash is available to the fund prior to the registration of any warrants. OSAI recommends actual expenditures be limited to the amount of appropriations set forth in 68 O.S. § 3003.C. OSAI further recommends monthly reports are reconciled with the general ledger.

Management Response: Management did not respond.

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as verifying that there is sufficient cash on hand prior to registering warrants and that the monthly reports reconcile with the general ledger, are deficiencies in internal control.

Finding 2008-6 – Sale of Tinhorns (Repeat Finding)

Condition: Receipts for Sequoyah County revealed the sale of county tinhorns, tiles, and signs from the three District barns to the public. During fiscal year 2008, receipts for the selling of such items equaled approximately \$70,231.18.

Cause of Condition: Procedures have not been designed to ensure compliance with state statutes in regard to the sale of materials, tools, apparatus, machinery or equipment.

Effect of Condition: Sales to the public could result in improprieties of County funds and inventories.

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Recommendation: OSAI recommends the County discontinue selling tin horns or any other road related equipment to the public.

Management Response:

Steve Carter, Commissioner District 2 –

In reviewing the deficiencies for fiscal year 2008, the disbursement of tin horns is not a sale of that item. It is merely a reimbursement or donation to the County for placing that tin horn where it is needed to insure adequate drainage.

Auditor Response: Tin horns or other road related equipment should not be sold by the County to the public.

Criteria: Title 19 O.S. § 421.1.D states:

A board of county commissioners may sell any materials, tools, apparatus, machinery or equipment to a state agency, if the agency is subject to the Oklahoma Central Purchasing Act, or to a political subdivision of the state if the political subdivision is subject to such act or a similar competitive bidding procedure. The board of county commissioners may purchase materials, tools, apparatus, machinery or equipment from a state agency, if the agency is subject to the Oklahoma Central Purchasing Act or from a political subdivision of the state if the political subdivision is subject to such act or a similar competitive bidding procedure.

Title 19 O.S. § 421.1.E states:

The board of county commissioners may, by resolution, enter into an agreement with any other county or political subdivision for the purpose of selling, transferring, trading or otherwise disposing of equipment or materials.

Generally, counties can exercise such powers only as are conferred upon it by the Constitution or the State Statutes.

Finding 2008-7 – Reconciliation between the County Clerk and the County Treasurer

Condition: Based on our documentation of controls and test work, it appears that reconciliations are not being performed between the County Clerk's Appropriation Ledger and the County Treasurer's General Ledger.

Cause of Condition: Procedures have not been designed to ensure the County Clerk's Appropriation Ledger reconciles with the County Treasurer's General Ledger.

Effect of Condition: This condition could adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably.

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Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the County Clerk's Appropriation Ledger and the Treasurer's General Ledger.

Management Response: Management did not respond.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger. This reconciliation would include verifying receipts apportioned, disbursements and cash balances for each fund.

Finding 2008-8 – Requisitioning and Receiving Officers

Condition: During our purchase order test, we were unable to determine who the requisitioning or receiving officers were for most of the departments of the County. The requisition and receiving officers were not listed and approved in the Board of County Commissioner's minutes. Though most purchase orders were requisitioned and a receiving report was filed, we could not determine if it was the appointed officer.

Cause of Condition: Procedures have not been designed to ensure the requisition and receiving officers are approved by the Board of County Commissioners and the approval is recorded in the minutes.

Effect of Condition: This condition could result in misappropriation of county funds and assets.

Recommendation: OSAI recommends management take steps to ensure that all departments appoint requisitioning and receiving officers and the officers are approved by the Board of County Commissioners as required by state statutes.

Management Response: Management did not respond.

Criteria: Title 19 O.S. §1501 A.4 states in part:

Each county officer may designate not more than two employees who also shall be authorized to sign in the absence of a county officer. A written designation of the employees shall be filed with the county clerk and shall be entered in the minutes of the board of county commissioners.

Title 19 O.S. §1503 states:

Each county officer shall designate two employees to act as receiving officers for their departments. A written designation of such employees shall be entered in the minutes of the board of county commissioners.

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Finding 2008-9 – Segregation of Duties - Payroll

Condition: A lack of segregation of duties exists in the County Clerk's office because one person enrolls new employees, maintains personnel files, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues and prints payroll warrants, prepares OPERS reports and state and federal tax reports, and removes terminated employees from the system.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the payroll department.

Effect of Condition: These conditions could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

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

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individual.

Management Response: Management did not respond.

Criteria: Procedures should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2008-10 – Payroll Records

Condition: During our test work of payroll, it was noted the IRS 941 forms for the last two quarters of calendar year 2007 could not be located.

Cause of Condition: Procedures have not been designed to ensure all documentation is maintained by the County Clerk until such time as allowed for destruction of documents.

Effect of Condition: Payroll taxes paid or reported to the IRS could be in error.

Recommendation: OSAI recommends management take steps to ensure documents are maintained as prescribed by state statutes.

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Management Response: Management did not respond.

Criteria: Title 19 O.S. § 155.2.A.2 and A.4 requires the County Clerk to retain payroll records for five years.

Finding 2008-19 – Signature Stamps

Condition: Upon inquiry and observation, it was noted that the Treasurer and three Commissioners have signature stamps and have authorized the use of their stamps by various county employees.

Cause of Condition: Procedures have not been designed to ensure signature stamps are used only by the owner.

Effect of Condition: This condition could result in misappropriation of funds.

Recommendation: OSAI recommends signature stamps only be used by the official and the officials ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response: Management did not respond.

Criteria: An aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.

Finding 2008-24 – Footnote Disclosures

Condition: Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

Cause of Condition: Procedures have not been designed to prepare the accompanying notes to the financial statements.

Effect of Condition: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statements to ensure appropriate disclosures are presented.

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Management Response: Management did not respond.

Criteria: The County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management’s control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Finding 2008-25 – County-Wide Controls

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

Cause of Condition: Procedures have not been designed to address risks of the County.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.

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Monitoring	Procedures
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response: Management did not respond.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2008-16 – Segregation of Duties

Condition: A lack of segregation of duties exists in the following offices:

- The County Sheriff's office has two employees who issue the receipts, prepare official depository tickets, take deposits to the bank, and post deposits to the cash book. Further, the same deputies can prepare and sign vouchers, post vouchers to the cash book and mail vouchers, as well as prepare claims and approve claims for payments.

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- The County Clerk's office has one deputy who issues receipts, balances cash drawers, prepares official depository tickets, and posts daily receipts to the official depository account.
- The Court Clerk's office has one deputy who issues receipts, balances cash drawers, prepares official depository tickets, and posts daily receipts to the official depository account.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the offices.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

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

Management Response:

Ron Lockhart – Sequoyah County Sheriff

I was not the Sheriff in 2008.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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

Finding 2008-11 – Internal Controls over Major Programs - FEMA

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1678, 1712, 1752, and 1754

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Procurement, Suspension and Debarment

QUESTIONED COSTS: \$-0-

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Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; and Procurement, Suspension and Debarment.

Cause of Condition: The County does not have adequate procedures in place to ensure compliance with *OMB Circular A-133*.

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

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

Management Response: Management did not respond.

Criteria: *OMB A-133, Subpart C, §__.300* reads as follows:

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

Finding 2008-12 – FEMA Files – Documentation of Federal Expenditures

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1712

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement, Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$41,801.04

Condition: While reviewing support documentation for the project worksheets tested in each District, we noted the following:

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- Consumable inventory in stock that is used for construction was not tracked through transfer sheet documentation. Consumable inventory used for the projects tested was \$23,220.33.
- There was no documentation to support the administrative expenses of \$3,657.65.
- District 3 was unable to provide adequate documentation to support the federal monies disbursed on disaster 1712. Of the \$14,923.06 in questioned costs, \$9,257.60 was for project worksheet #592 and \$5,665.46 was for project worksheet #657.

Cause of Condition: Procedures have not been designed to ensure all records are retained to support the federal monies disbursed.

Effect of Condition: Districts 1, 2, and 3 were unable to document how they complied with applicable compliance requirements for these specific projects.

Recommendation: OSAI recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with OMB Circular A-133's Compliance Requirements and OMB Circular A-87.

Management Response:

Ray Watts, Commissioner District 1 –

We were audited for 2008, 2009, and first of 2010. At that time we were using State of Oklahoma form Consumable Stock Items, which now I have learned is not acceptable because they didn't have invoices with them. In January 2010, we went to the Kellpro System and are now using receiving reports and stock transfers.

Steve Carter, Commissioner District 2 –

In reviewing the deficiencies for fiscal year 2008, it was noted and explained that the consumable item deficiency was created by the fact that the gravel is acquired by an agreement with the Corp of Engineers. Therefore, there are no purchase orders for it, however we do have to document to the Corp how many tons are taken from the river yearly, and we document where we put any loads as we take them from our yard. We must do this to satisfy FEMA's road maintenance requirements.

Administrative expenses for this particular time period were not paid by FEMA until a later date. It was brought to my attention that we did not get paid; then it was rectified. They were paid by a percentage, based upon the gross amount that was appropriated, to the best of my knowledge. They have changed their policies and now we must keep a log of the time put in on each project by the secretary, the road foreman and the Commissioner.

Jim Rogers, Commissioner District 3 –

Since January 2010, District 3 has developed an in-depth procedure for help in tracking consumable inventories for projects. Each employee fills out a daily work activity form which documents what piece of equipment was used, amount of fuel used, what type of materials that was hauled, whether it be from

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stock or purchased, and what road/project it was used on. If material was taken out of stock, a transfer document is made. If purchased, copies are made of receiving report and invoices. District 3 has recently purchased cameras with built in GPS devices to further document damage to county roads. All information is compiled and filed at District 3 barn.

Criteria: OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - j. Be adequately documented.

OMB Circular A-133 §__.300 states that the auditee shall:

Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

OMB Circular A-133 §__.310 states in part:

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements...the schedule shall:

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work... This information should include the completed PW; completed Special Consideration Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and record of donated goods and services, if any.

Finding 2008-14 – Schedule of Expenditures of Federal Awards

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1712

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FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement, Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: The County has not designed and implemented procedures for the reporting of its federal programs as required by *OMB Circular A-133*. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Cause of Condition: Coordination of Federal Awards did not occur to ensure proper reporting, adequate internal controls, and compliance with federal requirements.

Effect of Condition: The County was unable to identify the amount of federal expenditures during the fiscal year. This condition could result in misstatements on the Schedule of Expenditures of Federal Awards.

Recommendation: OSAI recommends the County establish internal controls to ensure all Federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards.

Management Response: Management did not respond.

Criteria: The County’s management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the Schedule of Expenditures of Federal Awards (SEFA) and accompanying notes to the SEFA. Professional audit standards indicate that the external financial statement auditor cannot perform any part of management’s control activities or be a component of the internal controls over financial reporting as this would impair their independence. Further, *OMB A-133, Subpart C, §__.300* reads as follows:

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §__.310.

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Finding 2008-15 – County-Wide Controls over Major Programs

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1678, 1712, 1752, and 1754

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement, Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

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

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

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

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

Examples of risks and procedures to address risk management for federal programs:

Risks	Procedures
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring of federal programs:

Monitoring	Procedures
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.

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Monitoring	Procedures
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

Management Response: Management did not respond.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

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 2008-17 – Estimate of Needs

Condition: The examination of the 2007-2008 Estimate of Needs revealed the Jail Sales Tax Revenue and the Fire Department Sales Tax accounts were not included on the County’s Estimate of Needs.

Cause of Condition: Procedures have not been designed to ensure the County’s Estimate of Needs is accurate.

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Effect of Condition: These conditions could result in an inaccurate budget, misappropriation of assets, and non-compliance with state statutes.

Recommendation: OSAI recommends management take steps to ensure that all accounts are accurately included in the County's Estimate of Needs, as required by state statutes.

Management Response: Management did not respond.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Title 68 O.S. § 3002 states in part:

...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct...

Finding 2008-20 – Court Clerk Reconciliations with the Treasurer

Condition: The Court Fund and the Court Clerk Revolving Fund were not reconciled to the County Treasurer at June 30, 2008.

Cause of Condition: Procedures have not been designed to ensure the Court Fund and Court Clerk Revolving Fund are reconciled with the County Treasurer.

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

Recommendation: OSAI recommends the Court Clerk reconcile the Court Fund and the Court Clerk Revolving Fund with the County Treasurer's office.

Management Response: Management did not respond.

Criteria: To help ensure a proper accounting of funds, the Court Clerk Reconciliation reports for the Court Fund and Revolving Fund should reconcile to the County Treasurer's office.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding 2008-21 – Court Clerk Revolving Fund Claims

Condition: Our test work of 12 Court Clerk Revolving Fund claims revealed the following:

- Ten claims did not have a receiving report or receiving officer's signature attached.
- Eight claims had no indication for approval to pay.

Cause of Condition: Procedures have not been designed to ensure there is adequate documentation and proper approvals to support the expenditures in the Court Clerk Revolving Fund.

Effect of Condition: This condition could result in misappropriation of assets.

Recommendation: OSAI recommends management implement procedures to ensure all goods and services received are supported by adequate documentation and proper approval is obtained prior to payment.

Management Response: Management did not respond.

Criteria: To help ensure the proper accounting of funds, the Court Clerk's receiving officer should complete receiving reports when goods are received and supporting documentation contain management approval prior to payment.

Finding 2008-22 – Law Library Reconciliation

Condition: The Law Library Fund was not reconciled to the County Treasurer at June 30, 2008.

Cause of Condition: Procedures have not been designed to ensure the Law Library Fund is reconciled with the County Treasurer.

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

Recommendation: OSAI recommends the Court Clerk reconcile the Law Library Fund with the County Treasurer's office.

Management Response: Management did not respond.

Criteria: To help ensure a proper accounting of funds, the Court Clerk should reconcile the Law Library Fund to the County Treasurer's office.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding 2008-23 – Law Library Fund Purchases

Condition: When testing the disbursement from the Law Library Fund, we found there was no supporting documentation for the vouchers paid from the Law Library Fund.

Cause of Condition: Procedures have not been designed to ensure there is adequate documentation to support the vouchers paid from the Law Library Fund.

Effect of Condition: This condition could result in misappropriation of assets.

Recommendation: OSAI recommends management implement procedures to ensure all vouchers are supported by adequate documentation.

Management Response: Management did not respond.

Criteria: To help ensure the proper accounting of funds, all Law Library vouchers should be supported by adequate documentation.



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