



SEQUOYAH COUNTY

Financial Audit

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 17, 2019

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah County, Oklahoma for the fiscal year ended June 30, 2016. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**SEQUOYAH COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

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

County Assessor

Donna Graham

County Clerk

Julie Haywood

County Sheriff

Ron Lockhart

County Treasurer

Trica Yates

Court Clerk

Vicki Beaty

District Attorney

Brian Kuester

**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis
 (with Combining Information)—Major Funds..... 4

 Notes to the Financial Statement..... 5

OTHER SUPPLEMENTARY INFORMATION

 Comparative Schedule of Receipts, Expenditures, and Changes in
 Cash Balances—Budget and Actual—Budgetary Basis—General Fund..... 11

 Comparative Schedule of Receipts, Expenditures, and Changes in
 Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund 12

 Combining Statement of Receipts, Disbursements, and Changes in
 Cash Balances—Regulatory Basis—Remaining Aggregate Funds 13

 Notes to Other Supplementary Information 14

 Schedule of Expenditures of Federal Awards 16

 Notes to the Schedule of Expenditures of Federal Awards 17

**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

INTERNAL CONTROL AND COMPLIANCE SECTION

| | |
|---|----|
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 18 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 20 |
| Schedule of Findings and Questioned Costs..... | 23 |
| Appendix A: Corrective Action Plan (Prepared by County Management)..... | 39 |
| Appendix B: Summary Schedule of Prior Audit Findings (Prepared by County Management) | 43 |

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Sequoyah County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Sequoyah County as of June 30, 2016, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Sequoyah County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the remaining supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019, on our consideration of Sequoyah County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sequoyah County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2019

REGULATORY BASIS FINANCIAL STATEMENT

SEQUOYAH COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | Beginning Cash Balances July 1, 2015 | Receipts Apportioned | Transfers In | Transfers Out | Disbursements | Ending Cash Balances June 30, 2016 |
|---|--|-------------------------|-------------------|-------------------|----------------------|--|
| Combining Information: | | | | | | |
| Major Funds: | | | | | | |
| County General | \$ 935,308 | \$ 2,574,341 | \$ 350,000 | \$ 350,000 | \$ 2,815,201 | \$ 694,448 |
| Highway Cash | 1,568,705 | 3,859,221 | 550,000 | 350,000 | 2,997,255 | 2,630,671 |
| County Health | 524,245 | 450,798 | - | - | 499,478 | 475,565 |
| Sales Tax Revolving Fund | 1,497,649 | 1,286,904 | - | - | 1,577,333 | 1,207,220 |
| Sheriff Service Fee | 332,358 | 441,937 | - | - | 333,940 | 440,355 |
| Resale Property | 401,007 | 259,486 | 37,949 | - | 243,091 | 455,351 |
| County Jail Sales Tax | 335,950 | 1,725,486 | - | - | 1,749,423 | 312,013 |
| EMPG Grant | 10,155 | 18,750 | - | - | 5,030 | 23,875 |
| Hazard Mitigation | - | 13,631 | - | - | 13,631 | - |
| Fire Department Sales Tax | 1,548,325 | 643,198 | - | - | 537,496 | 1,654,027 |
| HWY/CBRIF | 1,053,284 | 193,190 | - | - | 431,726 | 814,748 |
| Remaining Aggregate Funds | 276,094 | 497,772 | - | - | 500,575 | 273,291 |
| Combined Total - All County Funds, as Restated | \$ 8,483,080 | \$ 11,964,714 | \$ 937,949 | \$ 700,000 | \$ 11,704,179 | \$ 8,981,564 |

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, 2016**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Sequoyah County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General – accounts for general operations of the government.

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

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

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

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

EMPG Grant – accounts for federal funds for the purpose of the County’s emergency management program.

Hazard Mitigation – accounts for grant funds from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects.

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

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

C. Basis of Accounting

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

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

E. Cash and Investments

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

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

The County Treasurer has not been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

The voters of Sequoyah County approved a one-half percent (½%) sales tax effective January 11, 2000, for which two-thirds (2/3) of the one-half (½) cent is to be used for construction and to run

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

the jail for seven years. The other one-third (1/3) of the one-half (1/2) cent is to be used for the operation of the jail and is unlimited in duration. Funds are accounted for in the County Jail Sales Tax fund.

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

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

The voters of Sequoyah County approved an unlimited one-half percent (1/2%) sales tax effective December 1, 2009. This sales tax was established to provide revenues for the operation and maintenance of the Sequoyah County Jail Facility and Sheriff's office. These funds are accounted for in the County Jail Sales Tax fund.

E. Interfund Transfers

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

- \$350,000 was transferred from the Highway Cash fund to County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$350,000 was transferred from the County General fund to the Highway Cash fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$200,000 was transferred from the Emergency Transportation Revolving (ETR) fund (a trust and agency fund) to the Highway Cash fund as a loan used for road and bridge projects in the County.
- \$37,949 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131.

F. Restatement of Fund Balance

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

During the fiscal year, the County had a reclassification of fund. Drug Court was reclassified as a county fund.

| | |
|--|---------------------|
| Prior year ending balance, as reported | \$ 8,443,193 |
| Funds reclassified to County Funds: | |
| Drug Court reclassified from a | |
| Trust and Agency Fund to a County Fund | <u>39,887</u> |
| Prior year ending balance, as restated | \$ <u>8,483,080</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, 2016

| | General Fund | | |
|---|------------------|-------------------|-------------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 928,834 | \$ 935,308 | \$ 6,474 |
| Less: Prior Year Outstanding Warrants | (140,450) | (140,450) | - |
| Less: Prior Year Encumbrances | (224,738) | (224,673) | 65 |
| Beginning Cash Balances, Budgetary Basis | <u>563,646</u> | <u>570,185</u> | <u>6,539</u> |
| Receipts: | | | |
| Ad Valorem Taxes | 1,639,180 | 1,794,926 | 155,746 |
| Charges for Services | 144,506 | 147,741 | 3,235 |
| Intergovernmental Revenues | 502,925 | 545,820 | 42,895 |
| Miscellaneous Revenues | 50,712 | 85,854 | 35,142 |
| Total Receipts, Budgetary Basis | <u>2,337,323</u> | <u>2,574,341</u> | <u>237,018</u> |
| Expenditures: | | | |
| District Attorney | 2,000 | 2,000 | - |
| County Sheriff | 345,000 | 344,762 | 238 |
| County Treasurer | 127,467 | 70,268 | 57,199 |
| County Commissioners | 500,366 | 295,239 | 205,127 |
| OSU Extension | 36,400 | 36,042 | 358 |
| County Clerk | 171,773 | 168,034 | 3,739 |
| Court Clerk | 156,954 | 156,865 | 89 |
| County Assessor | 59,133 | 59,133 | - |
| Revaluation of Real Property | 338,000 | 323,876 | 14,124 |
| General Government | 296,016 | 287,026 | 8,990 |
| Excise-Equalization Board | 2,700 | 2,050 | 650 |
| County Election Board | 124,594 | 120,226 | 4,368 |
| Insurance-Benefits | 673,354 | 648,070 | 25,284 |
| Emergency Management | 35,000 | 31,844 | 3,156 |
| County Audit Budget Account | 32,212 | 32,212 | - |
| Total Expenditures, Budgetary Basis | <u>2,900,969</u> | <u>2,577,647</u> | <u>323,322</u> |
| Excess of Receipts and Beginning Cash | | | |
| Balances Over Expenditures, Budgetary Basis | <u>\$ -</u> | 566,879 | <u>\$ 566,879</u> |
| Operating Transfers In | | 350,000 | |
| Operating Transfers Out | | <u>(350,000)</u> | |
| Net operating Transfers | | <u>-</u> | |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Cancelled Warrants | | 1,325 | |
| Add: Current Year Outstanding Warrants | | 114,772 | |
| Add: Current Year Encumbrances | | 11,472 | |
| Ending Cash Balance | | <u>\$ 694,448</u> | |

**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, 2016**

| | County Health Department Fund | | |
|---|-------------------------------|------------|------------|
| | Budget | Actual | Variance |
| Beginning Cash Balances | \$ 524,245 | \$ 524,245 | \$ - |
| Less: Prior Year Outstanding Warrants | (26,953) | (26,953) | - |
| Less: Prior Year Encumbrances | (29) | (29) | - |
| Beginning Cash Balances, Budgetary Basis | 497,263 | 497,263 | - |
| Receipts: | | | |
| Ad Valorem Taxes | 410,588 | 449,599 | 39,011 |
| Charges for Services | - | 1,071 | 1,071 |
| Miscellaneous Revenues | 1,071 | 128 | (943) |
| Total Receipts, Budgetary Basis | 411,659 | 450,798 | 39,139 |
| Expenditures: | | | |
| Health and Welfare | 908,922 | 580,762 | 328,160 |
| Total Expenditures, Budgetary Basis | 908,922 | 580,762 | 328,160 |
| Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis | \$ - | 367,299 | \$ 367,299 |
| Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances | | | |
| Add: Current Year Encumbrances | | 107,917 | |
| Add: Current Year Outstanding Warrants | | 349 | |
| Ending Cash Balance | | \$ 475,565 | |

SEQUOYAH COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| | Beginning Cash Balances <u>July 1, 2015</u> | Receipts Apportioned | Disbursements | Ending Cash Balances <u>June 30, 2016</u> |
|---|---|-------------------------|-------------------|---|
| Remaining Aggregate Funds: | | | | |
| Assessor Fee Revolving | \$ 4,560 | \$ 1,820 | \$ 5,021 | \$ 1,359 |
| Assessor Visual Inspection | 2,254 | - | 250 | 2,004 |
| Community Service Sentencing Program | 37,200 | 64,457 | 82,253 | 19,404 |
| County Clerk Lien Fee | 17,164 | 10,602 | 15,797 | 11,969 |
| County Clerk Preservation Fee | 30,233 | 39,180 | 24,528 | 44,885 |
| Civil Defense - Emergency Management | 22,682 | - | 3,471 | 19,211 |
| Mortgage Certification Fee | 55,855 | 6,045 | 38,237 | 23,663 |
| Sheriff - Courthouse Security | 24,142 | 26,330 | 36,831 | 13,641 |
| Sheriff D.A.R.E. | 7,694 | 90,589 | 75,859 | 22,424 |
| Sheriff Training Fund | 481 | 21,952 | 14,111 | 8,322 |
| Lake Patrol | 4,971 | 1,000 | 5,681 | 290 |
| Sheriff Drug Fund | 2,917 | 7,150 | 7,300 | 2,767 |
| Trash Cop | 450 | - | - | 450 |
| HMEP Planning Grant | 3,166 | - | - | 3,166 |
| Bureau of Justice Grant | 1,261 | - | - | 1,261 |
| CDBG 14 Flags Museum | 18 | - | - | 18 |
| Sheriff Commissary | 21,159 | 73,430 | 59,591 | 34,998 |
| Drug Court | 39,887 | 155,217 | 131,645 | 63,459 |
| Combined Total - Remaining Aggregate Funds | <u>\$ 276,094</u> | <u>\$ 497,772</u> | <u>\$ 500,575</u> | <u>\$ 273,291</u> |

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Budgetary Schedules

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

2. Remaining County Funds

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

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

Assessor Visual Inspection – accounts for fees charged to all entities receiving ad valorem taxes and disbursed by the County Assessor as restricted by statute for the visual inspection program.

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

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

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

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

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

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

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

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

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Federal Expenditures |
|---|---------------------------|-------------------------------------|----------------------------|
| U.S. DEPARTMENT OF THE INTERIOR | | | |
| Direct Grant: | | | |
| Payments in Lieu of Taxes | 15.226 | | 90,259 |
| Total U.S. Department of the Interior | | | <u>90,259</u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Passed Through the District Attorney's Council: | | | |
| National Criminal History Improvement Program (NCHIP) | 16.554 | N15-003 | 18,980 |
| Total U.S. Department of Justice | | | <u>18,980</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed Through the Oklahoma Department of Emergency Management: | | | |
| Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | DR1754 | 323,775 |
| Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | DR4222 | 656,893 |
| Total CFDA 97.036 | | | <u>980,668</u> |
| Hazard Mitigation Grant | 97.039 | HM4117 | 13,631 |
| Emergency Management Performance Grants | 97.042 | EMPG | 3,528 |
| Total U.S. Department of Homeland Security | | | <u>997,827</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 1,107,066</u></u> |

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Basis of Presentation

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

Indirect Cost Rate

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On May 26, 2015, the President of the United States approved a Major Disaster Declaration for Sequoyah County in response to Oklahoma severe storms, tornados, straight-line winds, and flooding from May 05, 2015 to June 22, 2015. The County incurred \$235,881 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2016. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$235,881 in eligible expenditures incurred in the fiscal year ending June 30, 2015 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2016.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Sequoyah County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 13, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2016, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Sequoyah County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Sequoyah County's internal control. Accordingly, we do not express an opinion on the effectiveness of Sequoyah County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination



of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2016-001, 2016-003, and 2016-006.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2016-009

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequoyah County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-006.

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

Sequoyah County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2019

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

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Sequoyah County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Sequoyah County's major federal program for the year ended June 30, 2016. Sequoyah County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sequoyah County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sequoyah County's compliance.

Opinion on Each Major Federal Program

In our opinion, Sequoyah 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, 2016.

Report on Internal Control Over Compliance

Management of Sequoyah County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sequoyah County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sequoyah County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-010, 2016-011 and 2016-012, that we consider to be material weaknesses.

Sequoyah County's Response to Findings

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2019

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
in accordance with section 200.516 of the Uniform Guidance?..... Yes

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016-001 – Inadequate County –Wide Internal Controls (Repeat Finding – 2008-025, 2010-027, 2011-001, 2012-001, 2013-001)

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

Cause of Condition: Policies and procedures have not been designed to address the Risk Assessment and Monitoring of the County. The County was not fully aware of the benefits gained by the implementation of procedures regarding the Risk Assessment and Monitoring as it relates to the strengthening of its internal control structure.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: We have begun to utilize the recommended checklist and will work together to identify and monitor issues that could put our county at risk. The employee handbook will be revised to include issues that have been assessed at present and will be revised as deemed necessary.

County Clerk: We have been furnished OSAI form #500 and will implement this into our quarterly officer meetings.

County Treasurer: I was not the County Treasurer during this period. However, I have recently obtained a county-wide checklist to use in the officer’s quarterly meeting. I intend to use this tool, in partnership with my fellow officers, to aid in the assessment of any possible risks to our County and how to implement a plan to avoid such risks.

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 met. Internal control comprises the plans,

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

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

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

Finding 2016-003 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding – 2008-007, 2010-007, 2011-011, 2012-011, 2013-011)

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

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

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

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

Management Response:

County Clerk: I have been working with the current County Treasurer on balancing the appropriation ledger to the general ledger. We have currently balanced thirty-two (32) accounts and only have two (2) accounts left that we are working on County Highway and CBRIF.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County Treasurer: I was not the County Treasurer during this period. However, I have been working together with the County Clerk to reconcile all the funds to the current year. And going forward we will do a monthly reconciliation.

Criteria: Safeguarding controls are an important aspect of internal controls. 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 reconciliations not prepared or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed and maintained on a monthly basis.

Finding 2016-006 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2006-001, 2008-003, 2011-007, 2012-007, 2013-007)

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

- The County Clerk’s signature stamp is not secured against unauthorized access.
- The County Clerk’s office prints a warrant register. However, it is not signed and dated by vendors when they pickup up warrants and does not indicate the warrants that were mailed.

Of the sixty (60) purchase orders tested the following exceptions were noted:

- Three (3) were not timely encumbered.
- One (1) disbursement was for payroll and the timesheet did not contain a signature from both the official and the employee.

Additionally, OSAI noted that the County Treasurer’s office is using cash voucher claims rather than purchase orders for her mortgage certification fee fund which is not allowed per state statute.

Cause of Condition: Policies and procedures have not been designed with regard to the disbursement process to ensure adequate internal controls and compliance with state statute.

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

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered and have adequate supporting documentation attached. All timesheets should be signed by the employee and supervisor or official.

Additionally, OSAI recommends signature stamps be adequately safeguarded from unauthorized use and ensure signature stamps are used only by the official.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

Chairman of the Board of County Commissioners: I have personally spoke to the Fire Chiefs of the fire departments that had purchase orders not encumbered. We discussed the finding and were encouraged to meet with the County Clerk as well for clarification and procedures for following the purchasing act. Additionally, we are looking into holding an OSU purchasing/inventory training locally to assist in compliance for all offices.

County Commissioner District 1: We have a policy in place to ensure all employees sign timesheets.

County Clerk: The County Clerk's signature stamp has been secured in a locked drawer.

The County Clerk's office keeps a copy of the expense report that is date stamped and initialed by the two deputies that verify and mail the warrants. We have had this procedure for at least the last two years. We have recently started writing that all warrants were mailed on the expense report.

The County Clerk's office will remind all offices to encumber their funds and get a purchase order number prior to making the purchase, and review supporting documentation closer.

County Sheriff: We are working diligently to prevent any un-timely encumbering of purchase orders. We are also double checking all timesheets before submittal, to verify presence of both signatures.

County Treasurer: I was not the County Treasurer during this audit period. However, I have been made aware of this and I will obtain purchase orders to spend funds from the mortgage certification fee fund.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions.

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

Finding 2016-009 – Inadequate Internal Controls over Bank Reconciliations and Investments

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

- Bank reconciliations are not approved by someone other than the preparer.
- There was not an investment policy approved by the Board of County Commissioners to authorize the County Treasurer to make investments for fiscal year 2016.

Cause of Condition: Policies and procedures have not designed and implemented to have levels of review over the processes performed to ensure accurate and proper accounting of funds. Additionally, policies and procedures have not been developed to ensure compliance with state statute.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Recommendation: OSAI recommends designing and implementing internal controls that are critical functions of the office, and having management review and approval of accounting functions. Additionally, the Treasurer prepare and present to the Board of County Commissions an annual investment resolution for their approval at the beginning of each new fiscal reporting period in accordance with 62 O.S. § 348.1.

Management Response:

County Treasurer: I was not the Treasurer during this period. Currently steps are being taken to revise our routine of reconciling bank statements to have a second person review and documentation of that review will be maintained. Additionally, I will draft an investment policy and schedule it for Board of County Commissioner approval in July 2018.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure proper accounting of funds, ledgers and reports should be reviewed by someone other than the preparer to reduce the risk of error or fraud. The duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be reviewed and documented.

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

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

Finding 2016-010 – Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding- 2008-14, 2010-14)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222, DR-1754

FEDERAL AWARD YEAR: 2016

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

QUESTIONED COSTS: \$-0-

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

The following misstatements were noted:

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Expenditures for the National Criminal History Improvement Program (NCHP) CFDA 16.554 received by the County were not reported. Actual expenditures were \$18,980 The County understated the expenditures for CFDA 16.554 by \$18,980.
- The actual expenditures for the Public Assistance Grant CFDA 97.036 were \$980,668 and the County reported \$834,599. The County understated the expenditures for CFDA 97.036 by \$146,069.
- The actual expenditures for the Hazard Mitigation Grant CFDA 97.039 were \$13,631 and the County reported \$0. The County understated the expenditures for CFDA 97.039 by \$13,631.

| | |
|---|------------------|
| Reported Total Expenditures of Federal Award | \$928,386 |
| Add: NCHP (CFDA 16.554) | 18,980 |
| Add: Public Assistance Grant (CFDA 97.036) | 146,069 |
| Add: Hazard Mitigation Grant (CFDA 97.039) | <u>13,631</u> |
| Actual Federal Expenditures of Federal Awards | \$1,107,066 |
| Original SEFA understated by | <u>\$178,680</u> |

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

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

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

Management Response:

Chairman of the Board of County Commissioners: Met with officials in quarterly meeting June 13, 2018 and addressed the County SEFA. All departments reviewed the finding and are in agreeance that all will cooperate to assure Sequoyah County is adequately reporting all federal program expenditures appropriately and accurately.

Criteria: *Title 2 CFR 200 § 200.510, Financial Statements*, reads as follows:

(a) *Financial statements.* The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements. [...]

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Further, 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 2016-011 – Inadequate County-Wide Controls Over Major Federal Programs – FEMA (Repeat Finding – 2008-15, 2010-15)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222, DR-1754

FEDERAL AWARD YEAR: 2016

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

QUESTIONED COSTS: \$-0-

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: Met with officials June 13, 2018 in quarterly meeting and we implemented using OSAI form #500 checklist we will work together and will document discussion with officials quarterly.

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 met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

Control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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.

Information and Communication is a component of internal controls which should provide for a county to run and control its operations. A County must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

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 2016-012 – Inadequate Internal Controls Over Major Federal Programs – FEMA (Repeat Finding- 2008-11, 2010-11)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-4222, DR-1754

FEDERAL AWARD YEAR: FY 2016

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

QUESTIONED COSTS: \$-0-

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

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

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

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

Management Response:

County Commissioner District 1: District 1 will review and keep adequate records on file to assure grant compliance.

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

County Commissioner District 3: We met in quarterly meeting June 13, 2018 to address this finding. While there is a better understanding, we are still working and gathering information to correct the problem for compliance both on the local and federal level.

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

The non-Federal entity must:

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

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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016-013 – Inadequate Segregation of Duties Over Court Clerk Revolving Fund and Court Fund (Repeat Finding)

Condition: Upon inquiry and observation of records with regards to the collection and disbursement processes of the Court Fund and the Court Clerk Revolving Fund, we noted the following weaknesses:

- All employees issue cash receipts, work from one cash drawer and can balance the cash drawer at end of day.
- A mail log is not maintained.
- One employee prepares court fund claims, prints vouchers, takes vouchers to be registered, mails vouchers, and prints monthly reports.
- Court Fund claims are signed by District Judge and Associate Judge after disbursements are made.

Cause of Condition: Policies and procedures have not been designed and implemented with regards to adequately segregating the duties over all aspects of the collection and disbursement process.

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

Recommendation: OSAI recommends that management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Regarding the disbursements process, OSAI recommends that one employee should not be performing all of the duties regarding creating vouchers, printing vouchers, delivering vouchers to the County Treasurer’s office to be registered and mailing vouchers. Further, we recommend that all employees issuing receipts operate from separate cash drawers. The cash drawer should be closed out, reconciled to the employee’s daily receipts, and be approved by someone independent of the cash drawer and making the deposit. Additionally, OSAI recommends all claims be approved prior to issuance of the payment.

Management Response:

Court Clerk: At this time, we still have one cash drawer that all employees work out of, but we have different employees that balance each evening, one person does the cash, another one will do checks, another one balances credit cards. A balance sheet is printed in the evening and signed off on and the next morning another balance sheet is printed and rebalanced by another person before taking it to the county treasurer. This works best for us.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

One employee prepares court fund claims, I sign and review each claim before presenting it to the Judge for signature then the check is written by me or the bookkeeping deputy and I have another deputy that takes it down to be registered with the treasurer, either I mail out or bookkeeping deputy or another employee. Depending on the work load of each employee. So, the same person does not prepare claims write checks, get them register them and mail them out. It changes hands in between and the mail is prepared by the file clerk and taken to the post office and the bookkeeping deputy does the monthly reports. I am comfortable with this procedure.

We are making sure that claims are signed by both Judges and myself before the check is processed.

Also, a mail log is being kept and the mail is opened by 2 employees.

Criteria: Accountability and stewardship are over all goals of management in the accounting of funds. 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.

Finding 2016-015 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary fund reflected the following:

- One person collects cash from kiosks and lockbox, prepares the deposit, and takes deposit to bank.
- Deposits are not made daily and are not reviewed by someone other than the preparer.
- Individual inmate ledger balances are not being reconciled to the bank statements each month.
- Outstanding items are not identified when performing bank reconciliations.
- ACH payments deposited into the checking account are not compared to inmate deposits.
- The jail issues debit cards to release funds to inmates; there is no inventory kept for the debit cards.
- An inventory of telephone calling cards is not being maintained. The telephone calling cards are being purchased from Jail Sales Tax Revolving Fund and the proceeds are being deposited into Sheriff Service Fee. The cost of the cards is not being deposited back into the Jail Sales Tax Revolving Fund. Additionally, all employees have access to the cards.
- An inventory is not being kept for in house commissary items (e-cigarettes and ice cream).
- Contracts for commissary vendor and phone vendor were not approved by the Board of County Commissioners.
- Receipts are not retained, issued in numerical order, on duplicate receipts and do not appear to have receipt numbers.
- The jail administrator's signature stamp is not kept in a secure location.
- The Sheriff's office does not prepare or file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th of each year.

After performing test work regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the fifty-six (56) disbursements/checks tested:

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Nine (9) were issued directly to vendors for commissary.
- Two (2) did not have two signatures.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

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

Recommendation: OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- All collections should be deposited daily.
- Inmate Trust fund reconciliations should be performed every month and maintained with all documentation to support the reconciliation. Additionally, the reconciliation should be reviewed by someone other than the preparer.
- Maintain an accurate inventory of the telephone calling cards. This would include maintaining the number of cards received, sold, and balance of cards on hand. Also, the cards should be issued sequentially by card number at the time of sale. Further, the proceeds for the sale of cards should be reconciled to the number of cards sold and remitted to the Sheriff Cash Service Fee fund monthly.
- An inventory for all commissary items should be maintained.
- All contracts should be renewed and approved by the Board of County Commissioners annually.
- Receipts should be maintained and issued in numerical order.
- Signature stamps be adequately safeguarded from unauthorized use.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th of each year.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.
- All checks from the Inmate Trust Fund Checking Account must have two (2) authorized signatures.

Management Response:

County Sheriff:

- We have trained three additional staff members in the collection, deposit preparation and delivery of deposit to bank. An officer will collect the deposit from kiosk and deliver to the assistant administrator, who will prepare the deposit. Deposit is verified by a second staff member who will initial deposit slip.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- The deposit is then taken to the bank by a different staff member, the deposit is now being done daily.
- We are currently working our new commissary company to ensure that ledger balances can be individually reconciled to support bank statement reconciliations.
- Since our audit outstanding items have been identified as an amount for checks that were ordered. We have since changed to a different commissary company that provides us assistance if we have any unidentified items.
- The ACH payments receipts are sent via email for every transaction, and we are also provided with a monthly statement. Those statements will be printed off in advance of doing the bank reconciliations and will be compared with inmate deposits. A copy of this will be attached to each monthly bank statement.
- Debit cards are kept in a digital locked box in the booking area. We have created a binder which contains a spreadsheet that includes inmate name, card number, and date and cards will be issued in sequential order.
- All phone card sales are currently documented within the commissary software. We will print off the ledger that shows all phone card sales and compare to amount we purchased. We have already began submitting the proceeds back to Sheriff's Fee account. Effective October 1, 2018 the Sequoyah County Jail will be contracted with a new phone vendor who will provide digital phone cards over the phone to inmates.
- We no longer are selling E-cigs in house, our commissary vendor provides that as a service to the inmates. Ice cream inventory is being kept on the commissary vendor software system. We can maintain and inventory how much is on hand and will ensure it is reviewed monthly. Additionally, only the assistant administrator and jail operations manager have keys to the locks on the ice cream boxes.
- All contracts will be renewed and approved by the Board of County Commissioners.
- We have a new commissary vendor with software that produces receipts in numerical order, and all receipts can be re-printed if needed.
- Jail administrator stamp has been secured and only she has access to it.
- Annual reports will be filed with the Board of County Commissioners.
- We no longer issue checks to commissary vendors from this account and all checks issued have two signatures.

Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. In addition, two authorized signatures should be required on all inmate trust account checks, bank reconciliations should be performed each month, and contracts should be approved by the Board of County Commissioners.

Title 19 O.S. § 180.43 D states in part, "Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment,

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

travel, or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 19 O.S. § 531A states in part, “...the county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account”...The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Finding 2016-016 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Records (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping processes regarding fixed assets, the following was noted:

- The following offices/departments do not maintain and update fixed asset cards in the County Clerk’s office: Board of County Commissioners, District 2, District 3, County Treasurer, County Assessor, County Sheriff, Emergency Management, Election Board, OSU Extension, and Gore fire department.
- No inventory list or documentation of an annual review was on file with the County Clerk’s office for the following offices: Board of County Commissioners, District 2, District 3, County Health Department, Emergency Management, OSU Extension, and the following fire departments: Blackgum, Gore, Lee Creek, Rocky Point.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and maintaining the fixed asset inventory records with the County Clerk.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate, incorrect information or loss of assets.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. OSAI also recommends that inventory records be maintained and updated in the County Clerk’s office.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

Chairman of the Board of County Commissioners: The County Clerk's office has emailed/mailed copy of inventory to all fire departments listed. That included clarification that this is a re-occurring process that will need to be updated and filed with the Clerk's office each year. Additionally, we are looking into holding an OSU purchasing/inventory training locally to assist in compliance for all offices.

County Commissioner District 2: We will send an updated fixed asset list to County Clerk's office.

County Commissioner District 3: While this may be an ongoing process, periodic counts will be made by members of District 3 appropriately documented and revised as inventory changes. An up to date list of actual fixed asset inventory will be regularly sent to the County Clerk's office.

County Treasurer: I was not the Treasurer during this period. However, since taking office in January 2018 I have assigned the task of filling out fixed asset cards to a deputy with another deputy performing the annual reviews.

County Assessor: Fixed asset cards are now on file in the County Clerk's office. Current inventory has been reviewed and going forward will be reviewed annually and documentation of the review will be on file with the County Clerk.

County Sheriff: We will perform a periodic inventory of fixed assets and file a record of the inventory with the County Clerk.

Emergency Management: I have delivered the fixed asset record inventory to the County Clerk's office.

Election Board: We have went back and filled out fixed asset records forms for everything over \$500 in our office and took these forms with a summary report of inventory review to be filed in the County Clerk's office.

OSU Extension: We will be sure and file an updated inventory list with the Sequoyah County Clerk annually.

Health Department: We will file an inventory list and copy of annual review with County Clerk.

Criteria: 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 transactions and safeguarding assets from misappropriation. Effective internal controls include management design procedures to ensure that all fixed assets records be maintained to comply with 19 O.S. § 178.2 and 19 O.S. § 178.1.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Board of County Commissioners

Sequoyah County

117 So. Oak, Suite 112

Tullesaw, Oklahoma 74955-4655

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

E-Mail: seqcomm123@gmail.com

Corrective Action Plan

in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2016

| Finding No. | Title (Financial) or CFDA No. & Program Name (Federal) | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-------------|---|---|-----------------------------|-------------------------------|
| 2016-001 | Inadequate County Wide Controls | We have begun to utilize OSAI form #500 County Wide Internal Control checklist to identify and assess issues that could put the county at risk. | Already implemented | Steve Carter, BOCC Chairman |
| 2016-003 | Reconciliation of Appropriation Ledger to General Ledger | The Treasurer and myself have been working together to get all our accounts reconciled and we will strive to perform a monthly reconciliation thereafter. | 6/30/19 | Julie Haywood, County Clerk |
| 2016-006 | Inadequate Internal Controls and Noncompliance Over Purchasing | We will remind all offices the importance of properly encumbering funds and having proper supporting documentation attached. I have secured my signature stamp to ensure no unauthorized use. We keep all expense reports that are initialed by the two people verifying and mailing the checks that week and write the date they were all mailed. In the event that a check is picked up we have the person picking up the check sign beside that particular warrant information on the expense report. We have a payroll pickup verification sheet that is signed when payroll is picked up. | Already implemented | Julie Haywood, County Clerk |
| 2016-009 | Inadequate Internal Controls Over Cash Balances and Investments | Currently steps are being taken to revise our routine on reconciling bank statement to ensure that a second person will review, and documentation of that review will be maintained. Additionally, I will draft an investment policy and present to the Board of County Commissioners. | 2/27/19 | Angela Gist, County Treasurer |
| 2016-010 | 97.036 Disaster Grants – Public Assistance (Presidentially | The BOCC will work to design and implement internal controls, to ensure accurate reporting of expenditures on the Schedule of Federal Awards (SEFA). | 6/30/19 | Steve Carter, BOCC Chairman |

| | | | | |
|----------|---|--|---------------------|-----------------------------------|
| | Declared Disaster) | | | |
| 2016-011 | 97.036 Disaster Grants -- Public Assistance (Presidentially Declared Disaster) | We have begun to utilize OSAI form #500 County Wide Internal Control checklist to identify and assess issues that could put the county at risk. | Already implemented | Steve Carter, BOCC Chairman |
| 2016-12 | 97.036 Disaster Grants -- Public Assistance (Presidentially Declared Disaster) | We will strive to gain more understanding and knowledge of federal grant compliance requirements and will work to implement more internal controls to ensure compliance with them. | 6/30/19 | Steve Carter, BOCC Chairman |

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Board of County Commissioners

Sequoyah County

117 So. Oak, Suite 112

Tullesaw, Oklahoma 74955-4655

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

E-Mail: seqcomm123@gmail.com

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2016**

FINANCIAL AUDIT FINDINGS

Finding 2008-001, 2010-001

Disaster Recovery Plan, Computer Usage Policies and Passwords

Finding Summary: Disaster Recovery Plans has not been updated since 2004. No policies and procedures that detailed the duties performed on computers or a plan for future computer needs. It was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss or disclosure.

Status: Corrective action was taken.

Finding 2006-006, 2007-003, 2008-004, 2010-4

Bank Reconciliations and Account not on General Ledger

Finding Summary: The Federal tax account and Payroll Tax Account are not being reconciled. Also, the Federal Tax Account was not on the General Ledger.

Status: Corrective action was taken.

Finding 2006-012, 2007-008, 2008-006, 2010-6

Sale of Tinhorns

Finding Summary: Receipts revealed the sale of County tinhorns, tiles and signs from the three district barns.

Status: Corrective action was taken.

Finding 2008-007, 2010-007, 2011-011, 2012-011, 2013-011

Reconciliation between the County Clerk and County Treasurer

Finding Summary: Reconciliations are not being performed between County Clerk's appropriation ledger and County Treasurer's general ledger.

Status: Partially corrected, the County Clerk and County Treasurer have been working diligently on reconciling all accounts and out of thirty-two (32) accounts only have two (2) accounts that have not been balanced.

Finding 2008-009, 2010-009, 2011-005, 2012-005, 2013-005

Segregation of duties- Payroll

Finding Summary: One person enrolls new employees, reviews payroll claims, calculates amounts to be paid to the employees, and payroll agencies, updates master payroll file, issues and prints payroll warrants and removes employees from system.

Status: Corrective action was taken.

Finding 2008-010, 2010-010

Payroll Records

Finding Summary: Two quarters of 2008 form 941's could not be located. The amounts on form 941 did not match what was electronically transferred out.

Status: Corrective action was taken.

Finding 2008-019, 2010-019

Signature Stamps

Finding Summary: 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.

Status: Corrective action was taken.

Finding 2010-025

Sales Tax

Finding Summary: During the fiscal year the County had three separate sales tax split among different entities and we noted the County General received \$37,955.34 and Fire fighters \$18,977.65 more than, and the Jail fund received \$59,897.35 less than directed by the sales tax ballots.

Status: Corrective action was taken.

Finding 2008-024, 2010-026

Footnote Disclosures

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

Status: Corrective action was taken.

Finding 2008-025, 2010-027, 2011-001, 2012-001, 2013-001

Inadequate County Wide Controls

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

Status: No corrective action taken. We have begun to utilize OSAI form #500 County wide internal control checklist into quarterly officer meetings.

FEDERAL AUDIT FINDINGS

Finding 2010-011

Inadequate 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 Grant Award Number: 1754, 1876 and 1883

Federal Award Year: 2010

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; Procurement and Suspension and Debarment.

Questioned Costs: \$-0-

Finding Summary: Internal Controls have not been established to ensure compliance with compliance requirements.

Status: The Sequoyah County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-012

Title 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 Grant Award Number: 1754, 1876 and 1883

Federal Award Year: 2010

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: \$42,647.60

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

- Consumable inventory in stock that is used for construction was not tracked through transfer sheet documentation. Consumable inventory used for the projects tested was \$42,179.19.
- There was no documentation to support the administrative expenses of \$468.41.

Status: The Sequoyah County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-014

Title 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 Grant Award Number: 1754, 1876 and 1883

Federal Award Year: 2010

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: \$\$0

Finding Summary: 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.

Status: The Sequoyah County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2010-015

Title Inadequate 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 Grant Award Number: 1754, 1876 and 1883

Federal Award Year: 2010

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: \$\$0

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

Status: The Sequoyah County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

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



Cindy Byrd, CPA | State Auditor & Inspector

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