



SEQUOYAH COUNTY

Financial Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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, 2017. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**EQUOYAH COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

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

County Assessor

Kelly Miller

County Clerk

Julie Haywood

County Sheriff

Larry Lane

County Treasurer

Trica Yates

Court Clerk

Vicki Beaty

District Attorney

Brian Kuester

**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2017, 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, 2017, 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, 2017, 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The other 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 other 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 and 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, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
Major Funds:						
County General	\$ 694,448	\$ 2,634,165	\$ 420,000	\$ 420,000	\$ 2,452,931	\$ 875,682
Highway Cash	2,630,671	4,033,002	420,000	420,000	4,019,497	2,644,176
County Health	475,565	458,799	-	-	491,028	443,336
Sales Tax Revolving Fund	1,207,220	1,274,311	-	-	1,270,293	1,211,238
Sheriff Service Fee	440,355	420,292	-	-	648,815	211,832
Resale Property	455,351	289,709	37,204	-	255,653	526,611
County Jail Sales Tax	312,013	1,699,929	-	-	1,758,121	253,821
CDBG Grant	-	292,331	-	-	292,331	-
EMPG Grant	23,875	-	-	-	20,867	3,008
Fire Department Sales Tax	1,654,027	638,328	-	-	518,385	1,773,970
HWY/CBRIF	814,748	165,394	-	-	113,277	866,865
Remaining Aggregate Funds	273,291	646,537	-	-	527,282	392,546
Combined Total - All County Funds	\$ 8,981,564	\$ 12,552,797	\$ 877,204	\$ 840,000	\$ 12,368,480	\$ 9,203,085

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, 2017**

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, 2017**

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.

CDBG Grant – accounts for federal grant revenues. Disbursements are for waterlines in Rural Water District 5.

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

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, 2017**

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, 2017**

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The voters of Sequoyah County approved a one-half percent ($\frac{1}{2}\%$) sales tax effective January 11, 2000, for which two-thirds ($\frac{2}{3}$) of the one-half ($\frac{1}{2}$) cent is to be used for construction and to run the jail for seven years. The other one-third ($\frac{1}{3}$) of the one-half ($\frac{1}{2}$) cent is to be used for the operation of the jail and is unlimited in duration. Funds are accounted for in the County Jail Sales Tax fund.

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

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

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

E. Tax Abatements

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

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

The County had \$5,917 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

F. Interfund Transfers

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

- \$420,000 was transferred from the Highway Cash fund to County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$420,000 was transferred from the County General fund to the Highway Cash fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$37,204 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131.

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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 694,448	\$ 694,448	\$ -
Less: Prior Year Outstanding Warrants	(114,772)	(114,772)	-
Less: Prior Year Encumbrances	(11,472)	(11,472)	-
Beginning Cash Balances, Budgetary Basis	<u>568,204</u>	<u>568,204</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	1,686,293	1,827,848	141,555
Charges for Services	132,967	153,166	20,199
Intergovernmental Revenues	514,033	530,228	16,195
Miscellaneous Revenues	72,256	122,923	50,667
Total Receipts, Budgetary Basis	<u>2,405,549</u>	<u>2,634,165</u>	<u>228,616</u>
Expenditures:			
District Attorney	2,000	2,000	-
County Sheriff	345,000	341,044	3,956
County Treasurer	127,467	63,769	63,698
County Commissioners	559,702	305,572	254,130
OSU Extension	38,150	35,911	2,239
County Clerk	177,773	171,501	6,272
Court Clerk	157,522	147,076	10,446
County Assessor	59,133	59,133	-
Revaluation of Real Property	338,000	335,563	2,437
General Government	303,392	199,265	104,127
Excise-Equalization Board	2,700	1,700	1,000
County Election Board	126,473	122,014	4,459
Insurance - Benefits	683,502	650,420	33,082
Emergency Management	35,000	19,066	15,934
County Audit Budget Account	17,939	-	17,939
Provision for interest on warrants	-	2,224	(2,224)
Total Expenditures, Budgetary Basis	<u>2,973,753</u>	<u>2,456,258</u>	<u>517,495</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	746,111	<u>\$ 746,111</u>
Operating Transfers			
Operating Transfers In		420,000	
Operating Transfers Out		(420,000)	
Net Operating Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		450	
Add: Current Year Outstanding Warrants		109,997	
Add: Current Year Encumbrances		19,124	
Ending Cash Balance		<u>\$ 875,682</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, 2017**

	<u>County Health Department Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Cash Balances	\$ 475,565	\$ 475,565	\$ -
Less: Prior Year Outstanding Warrants	(349)	(349)	-
Less: Prior Year Encumbrances	(107,917)	(107,917)	-
Beginning Cash Balances, Budgetary Basis	<u>367,299</u>	<u>367,299</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	422,389	457,846	35,457
Charges for services	-	858	858
Miscellaneous Revenues	848	95	(753)
Total Receipts, Budgetary Basis	<u>423,237</u>	<u>458,799</u>	<u>35,562</u>
Expenditures:			
Health and Welfare	790,536	436,261	354,275
Total Expenditures, Budgetary Basis	<u>790,536</u>	<u>436,261</u>	<u>354,275</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	389,837	<u>\$ 389,837</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		50,121	
Add: Current Year Outstanding Warrants		3,378	
Ending Cash Balance		<u>\$ 443,336</u>	

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, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Remaining Aggregate Funds:				
Assessor Fee Revolving	\$ 1,359	\$ 1,677	\$ 735	\$ 2,301
Assessor Visual Inspection	2,004	-	-	2,004
Community Service Sentencing Program	19,404	99,369	87,385	31,388
County Clerk Lien Fee	11,969	10,954	6,921	16,002
County Clerk Preservation Fee	44,885	40,993	15,345	70,533
Civil Defense - Emergency Management	19,211	-	8,554	10,657
Mortgage Certification Fee	23,663	6,635	-	30,298
Sheriff - Courthouse Security	13,641	33,819	38,283	9,177
Sheriff D.A.R.E.	22,424	84,000	79,453	26,971
Sheriff Training Fund	8,322	15	7,326	1,011
Lake Patrol	290	-	-	290
Sheriff Drug Fund	2,767	1,259	4,000	26
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	34,998	137,899	117,896	55,001
Drug Court	63,459	182,401	127,262	118,598
Safe Oklahoma Grant	-	47,516	34,122	13,394
Combined Total - Remaining Aggregate Funds	\$ 273,291	\$ 646,537	\$ 527,282	\$ 392,546

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

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.

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

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, 2017, 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, 2017, 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 responses, 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 responses to be material weaknesses: 2017-001, 2017-003, and 2017-006.

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 responses to be significant deficiencies: 2017-009.

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 responses as item 2017-006.

We noted certain matters regarding statutory compliance that we reported to the management of Sequoyah County, which are included in Section 2 of the schedule of findings and responses 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 responses. 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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1—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 2017-001 – Inadequate County –Wide Internal Controls (Repeat Finding – 2008-025, 2010-027, 2011-001, 2012-001, 2013-001, 2016-001)

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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-003 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding – 2008-007, 2010-007, 2011-011, 2012-011, 2013-011, 2016-003)

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 RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-006 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding – 2006-001, 2008-003, 2011-007, 2012-007, 2013-007, 2016-006)

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 fifty-nine (59) purchase orders tested the following exceptions were noted:

- One (1) did not have adequate supporting documentation.
- Three (3) were not timely encumbered.
- Two (2) were for payroll and the timesheet did not contain a signature from the 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
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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 Commissioner District 2: In reference to the purchase order that was not encumbered and did not have receiving report attached. Being that this purchase order was sent down from Oklahoma Department of Transportation (ODOT) we had no knowledge it was being sent down. The invoice date shows June 7, 2016 however we may not have gotten until a later date. I agree, there was no receiving report attached to this document we were not aware that since it came from the comptroller's office that it needed one. We will make sure that in the future that receiving reports are attached to all purchase orders and encumbered timely.

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.

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.

Community Sentencing: I will acquire a purchase order for mileage prior to taking any trip. This will not happen again.

Court Clerk: I will ensure that all future timesheets are signed by both the employee and official.

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.

**SEQUOYAH COUNTY, OKLAHOMA
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Finding 2017-009 – Inadequate Internal Controls over Bank Reconciliations and Investments (Repeat Finding – 2016-009)

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 2017.

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 that the compliance with state statute.

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, 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 County 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.

**SEQUOYAH COUNTY, OKLAHOMA
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SECTION 2—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 2017-010 Inadequate Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding)

Condition: During our audit we identified federal programs that were not listed accurately on the County’s Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$910,721.

The following misstatements were noted:

- Expenditures for the National Highway Traffic Safety Administration (NHTSA) CFDA 20.600 received by the County were not reported. Actual expenditures were \$3,051. The County understated the expenditures for CFDA 20.600 by \$3,051.
- The actual expenditures for the Public Assistance Grant CFDA 97.036 were \$430,275 and the County reported \$1,344,047. The County overstated the expenditures for CFDA 97.036 by \$913,772.

Reported Total Expenditures of Federal Award	\$1,632,427
Add: NHTSA (CFDA 20.600)	3,051
Subtract: Public Assistance Grant (CFDA 97.036)	<u>(913,772)</u>
Actual Federal Expenditures of Federal Awards	\$721,706
Original SEFA Overstated by	<u>\$910,721</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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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. [...]

(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 2017-011 – 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

**SEQUOYAH COUNTY, OKLAHOMA
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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.

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 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 2017-013 – 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

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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).
- Contract for phone vendor was 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.

While gaining an understanding of the inmate trust fund, we found that the County has two inmate trust fund checking accounts (Inmate Trust Checking II and Inmate Trust Checking III). The Inmate Trust Checking II account has been inactive since October 2016, and as of June 30, 2017, has a total balance of \$10,378.75. The jail is not tracking inmate balances; therefore, they do not know who the money belongs to.

After performing test work regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding the sixty-one (61) disbursements/checks tested:

- Twelve (12) checks 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.

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- 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.
- 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.
- The deposit is then taken to the bank by a different staff member, the deposit is now being done daily.
- We are currently working with employee of 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.

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- We were receiving statements every month for this account, the money has not been used from that account since a new account was acquired for the vendor used in FY17. Once new software was acquired it was not possible for me to review account information for old inactive accounts. This old account was managed with the help of another commissary vendor. This company will be contacted to see if they can assist in identifying old account information.
- This was brought to our attention during last audit and we now ensure all checks 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, 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 2017-014 – 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 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, Gore fire department.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- No inventory list or documentation of an annual review was on file with the County Clerk's office for the following offices: District 2, District 3, County Clerk, County Treasurer, County Health Department, Emergency Management, OSU Extension, and the following fire departments: Blackgum, Central, Gans, Gore, Lee Creek, Rocky Point, Sallisaw.

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.

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 County 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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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



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