

OPERATIONAL AUDIT

# SEQUOYAH COUNTY

For the fiscal year ended June 30, 2015



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



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

**SEQUOYAH COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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# Oklahoma State Auditor & Inspector

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

September 1, 2017

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

Transmitted herewith is the audit report of Sequoyah County for the fiscal year ended June 30, 2015.

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 "Gary A. Jones". The signature is written in a cursive style.

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

**SEQUOYAH COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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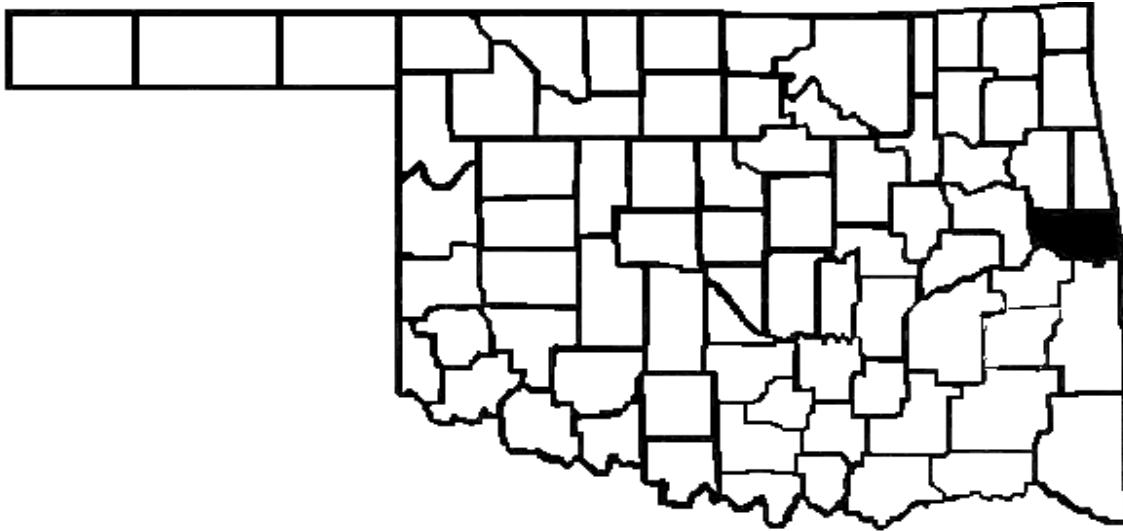
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**SEQUOYAH COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

In 1816 the land encompassing Sequoyah County was purchased by Major William Lovely from the Osage Indians as a hunting outlet for the Cherokees. During the removal of 1835, a group of Cherokees settled permanently in this area. Tahlonteeskee, located in Sequoyah County, was the Cherokee capital until 1839.

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

For more information, call the county clerk's office at 918/775-5539.

County Seat – Sallisaw

Area – 714.88 Square Miles

County Population – 41,358 (2014 est.)

Farms – 1,204

Land in Farms – 215,116 Acres

Primary Source: Oklahoma Almanac 2015-2016

**SEQUOYAH COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**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**

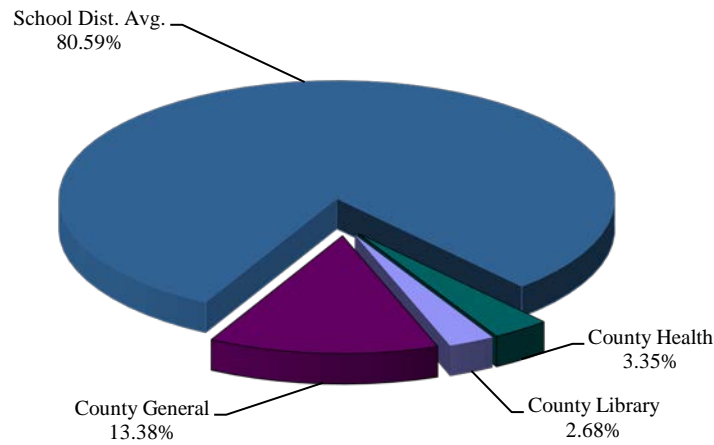
Vicki Beaty

**District Attorney**

Brian Kuester

**SEQUOYAH COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech.	Common	Total
County General	10.34								
County Health	2.59	Sallisaw	I-1	36.07	5.15	20.13	10.35	4.14	75.84
County Library	2.07	Vian	I-2	36.24	5.18	21.03	10.35	4.14	76.94
		Muldrow	I-3	36.37	5.20	-	10.35	4.14	56.06
		Gans	I-4	36.56	5.22	9.53	10.35	4.14	65.80
		Roland	I-5	35.93	5.13	11.61	10.35	4.14	67.16
		Gore	I-6	35.93	5.13	10.35	10.35	4.14	65.90
		Braggs	I-46	35.54	5.08	15.79	10.35	4.14	70.90
		Central	I-7	36.85	5.26	-	10.35	4.14	56.60
		Liberty	C-1	37.00	5.29	-	10.35	4.14	56.78
		Marble City	C-35	35.82	5.12	-	10.35	4.14	55.43
		Brushy	C-36	36.92	5.27	8.01	10.35	4.14	64.69
		Belfonte	D-50	36.81	5.26	-	10.35	4.14	56.56
		Moffett	C-68	35.05	5.01	-	10.35	4.14	54.55



**SEQUOYAH COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## **Sales Tax**

### **Sales Tax of January 11, 2000**

The voters of Sequoyah County approved a one-half percent sales tax effective January 11, 2000, for which 2/3<sup>rd</sup>s of the ½ cent is to be used for construction and to run the jail for seven years. The other 1/3<sup>rd</sup> of ½ 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.

### **Sales Tax of June 1, 2006**

The voters of Sequoyah County approved a permanent one-quarter of one percent (¼%) sales tax effective June 1, 2006, to be used for the purpose of providing funding for the County Fire Departments. Of the ¼% 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.

### **Sales Tax of September 1, 2007**

The voters of Sequoyah County approved a one-half percent (½%) sales tax effective September 2007. This sales tax shall be continuing and indefinite until rescinded by vote of the people of Sequoyah County. This 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.

### **Sales Tax of October 13, 2009**

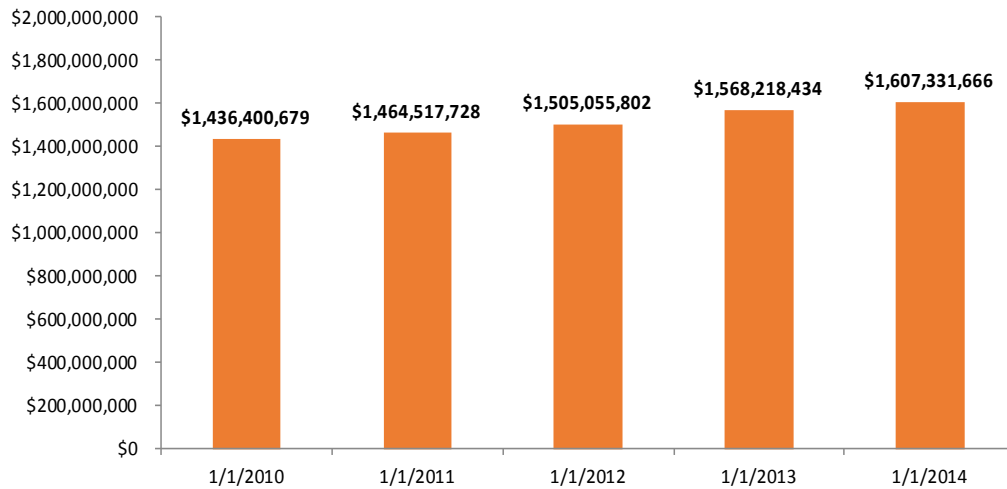
The voters of Sequoyah County approved an unlimited one-half percent (½%) sales tax effective December 1, 2009. This sales tax was established to provide revenues for the operation and maintenance of the Sequoyah County Jail Facility and Sheriff's office. These funds are accounted for in the County Jail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

During the fiscal year, the County collected \$3,695,662 in total sales tax.

**SEQUOYAH COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$16,409,260	\$20,790,314	\$148,743,449	\$12,384,966	\$173,558,057	\$1,607,331,666
1/1/2013	\$15,494,294	\$19,976,691	\$145,839,306	\$11,969,588	\$169,340,703	\$1,568,218,434
1/1/2012	\$14,880,746	\$18,419,218	\$140,320,298	\$11,666,409	\$161,953,853	\$1,505,055,802
1/1/2011	\$14,907,490	\$20,328,810	\$134,912,413	\$11,285,553	\$158,863,160	\$1,464,517,728
1/1/2010	\$15,183,497	\$20,521,101	\$131,423,361	\$10,989,892	\$156,138,067	\$1,436,400,679

**Estimated  
 Fair Market  
 Value**

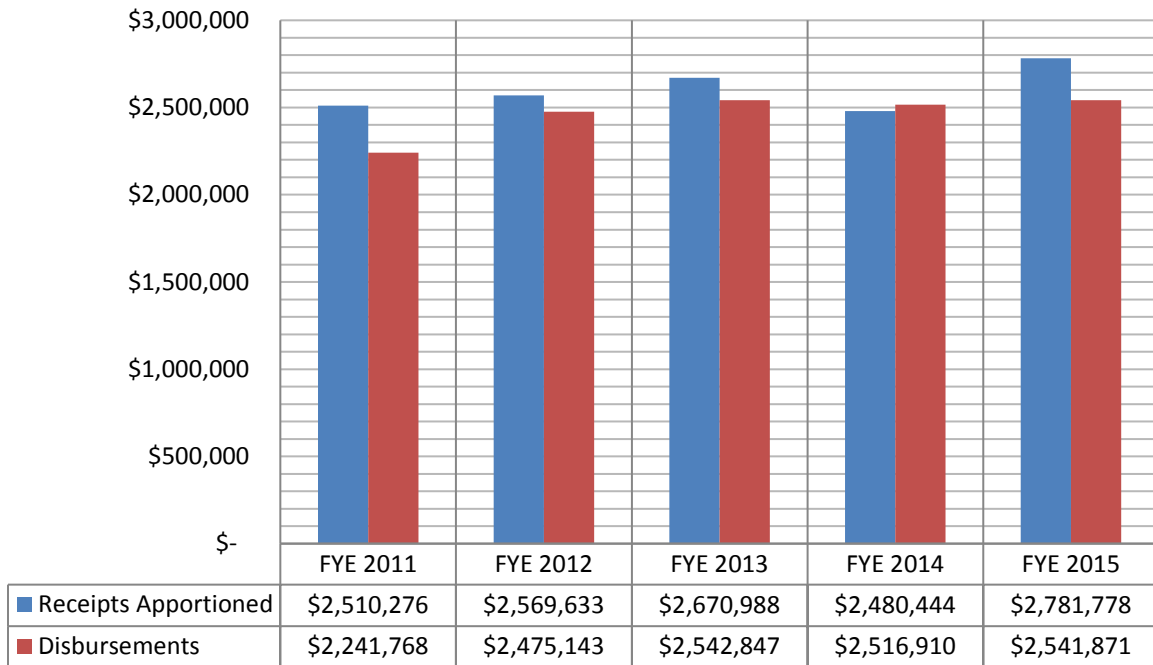


**SEQUOYAH COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## County General Fund

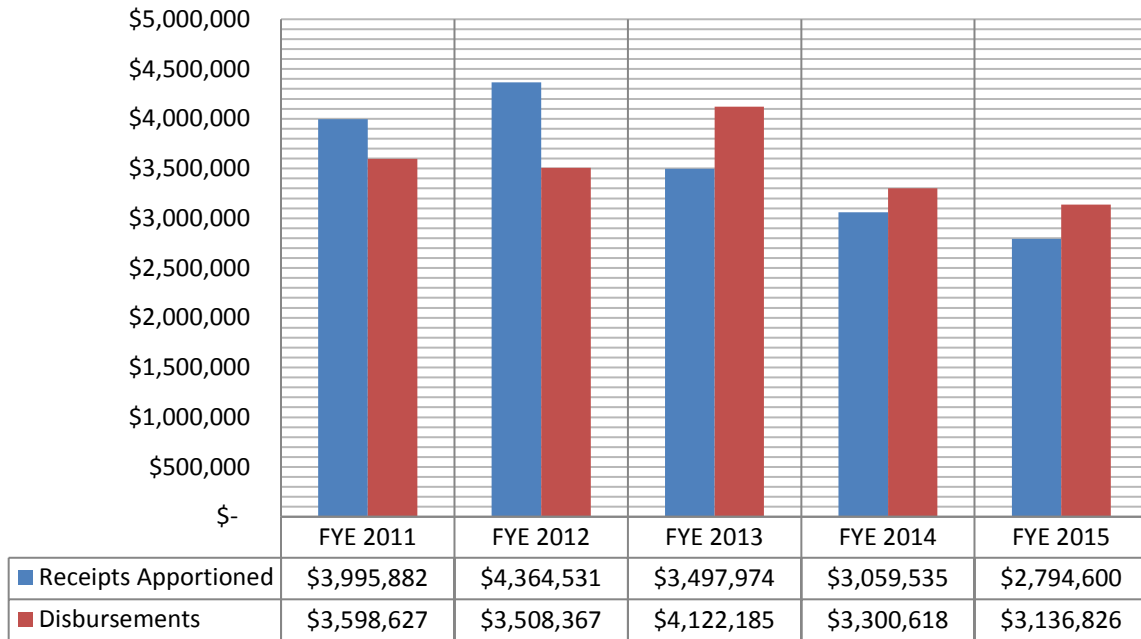
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**SEQUOYAH COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**SEQUOYAH COUNTY**  
**DESCRIPTION OF COUNTY FUNDS AND TRANSFERS**  
**OPERATIONAL AUDIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County Funds:						
County General	\$ 695,401	\$ 2,781,778	\$ 300,000	\$ 300,000	\$ 2,541,871	\$ 935,308
Highway Cash	1,910,931	2,794,600	300,000	300,000	3,136,826	1,568,705
County Health	387,397	489,950	-	-	353,102	524,245
Sales Tax Revolving Fund	1,391,991	1,304,045	-	-	1,198,387	1,497,649
Sheriff Service Fee	361,485	353,439	-	-	382,566	332,358
Resale Property	378,094	237,036	63,489	-	277,612	401,007
Assessor Fee Revolving	3,861	1,483	-	-	784	4,560
Assessor Visual Inspection	2,254	-	-	-	-	2,254
Community Service Sentencing Program	75,798	57,174	-	-	95,772	37,200
County Clerk Lien Fee	15,329	13,608	-	-	11,773	17,164
County Clerk Preservation Fee	31,511	39,782	-	-	41,060	30,233
Civil Defense - Emergency Management	28,090	22,970	-	-	28,378	22,682
Mortgage Certification Fee	53,062	5,750	-	-	2,957	55,855
County Jail Sales Tax	246,429	1,740,621	-	-	1,651,100	335,950
Sheriff - Courthouse Security	18,717	21,859	-	-	16,434	24,142
Sheriff D.A.R.E.	14,510	77,505	-	-	84,321	7,694
Sheriff Training Fund	18,451	10,532	-	-	28,502	481
Lake Patrol	5,427	-	-	-	456	4,971
Sheriff Drug Fund	11,814	8,110	-	-	17,007	2,917
Trash Cop	450	-	-	-	-	450
EMPG Grant	4,460	11,250	-	-	5,555	10,155
Hazard Mitigation	3,000	14,039	-	-	17,039	-
HMEP Planning Grant	166	3,000	-	-	-	3,166
Bureau of Justice Grant	1,261	-	-	-	-	1,261
Fire Department Sales Tax	1,315,919	652,372	-	-	419,966	1,548,325
CDBG 14 Flags Museum	18	-	-	-	-	18
HWY/CBRIF	262,734	880,064	-	-	89,514	1,053,284
Sheriff Commissary	12,139	43,026	-	-	34,006	21,159
<b>Combined Total - All County Funds</b>	<b>\$ 7,250,699</b>	<b>\$ 11,563,993</b>	<b>\$ 663,489</b>	<b>\$ 600,000</b>	<b>\$ 10,434,988</b>	<b>\$ 8,443,193</b>

**SEQUOYAH COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Description of County Funds**

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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. Disbursements are for the operation of the county health department.

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.

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

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

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.

**SEQUOYAH COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 state statute.

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

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

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

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

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

Sheriff Training Fund – accounts for monies received from unclaimed property of money in the County Sheriff’s 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.

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

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.

**SEQUOYAH COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

**Interfund Transfers**

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

- \$300,000 was transferred from the Highway Cash Fund to County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$300,000 was transferred from the County General Fund to the Highway Cash Fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$63,489 was transferred from the Excess Resale fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131.



**SEQUOYAH COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 695,401	\$ 695,401	\$ -
Less: Prior Year Outstanding Warrants	(118,958)	(118,958)	-
Less: Prior Year Encumbrances	(21,473)	(21,473)	-
Beginning Cash Balances, Budgetary Basis	<u>554,970</u>	<u>554,970</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	1,591,802	1,952,577	360,775
Charges for Services	133,202	160,563	27,361
Intergovernmental Revenues	451,807	554,483	102,676
Miscellaneous Revenues	312,218	114,155	(198,063)
Total Receipts, Budgetary Basis	<u>2,489,029</u>	<u>2,781,778</u>	<u>292,749</u>
Expenditures:			
District Attorney - State	2,000	2,000	-
District Attorney - County	345,000	344,816	- 184
County Sheriff	127,467	103,672	23,795
County Treasurer	446,400	295,239	151,161
County Commissioners	36,400	34,980	1,420
County Commissioners OSU Extension	171,773	160,184	11,589
County Clerk	160,862	147,929	12,933
Court Clerk	59,133	59,133	-
County Assessor	323,000	314,941	8,059
Revaluation	486,285	465,664	20,621
General Government	2,700	2,150	550
Excise Equalization	120,936	120,856	80
County Election Expense	696,246	681,417	14,829
Insurance - Benefits	35,000	27,442	7,558
Charity	30,797	6,233	24,564
Total Expenditures, Budgetary Basis	<u>3,043,999</u>	<u>2,766,656</u>	<u>277,343</u>

Continued on next page

*Source: County Estimate of Needs (presented for informational purposes)*

**SEQUOYAH COUNTY, OKLAHOMA  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
 COUNTY GENERAL FUND - CONTINUED  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	570,092	\$ 570,092
Interfund Transfers			
Interfund Transfers In:		300,000	
Interfund Transfers Out:		(300,000)	
Net Interfund Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		28	
Add: Current Year Outstanding Warrants		140,450	
Add: Current Year Encumbrances		224,738	
Ending Cash Balance		\$ 935,308	

*Source: County Estimate of Needs (presented for informational purposes)*

**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, 2015**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 387,397	\$ 387,397	\$ -
Less: Prior Year Outstanding Warrants	(3,393)	(3,393)	-
Less: Prior Year Encumbrances	(849)	(849)	-
Beginning Cash Balances, Budgetary Basis	383,155	383,155	-
Receipts:			
Ad Valorem Taxes	395,236	488,982	93,746
Charges for Services	858	858	-
Miscellaneous Revenues	-	110	110
Total Receipts, Budgetary Basis	396,094	489,950	93,856
Expenditures:			
County Health Budget Account	779,249	375,842	403,407
Total Expenditures, Budgetary Basis	779,249	375,842	403,407
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	497,263	\$ 497,263
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		29	
Add: Current Year Outstanding Warrants		26,953	
Ending Cash Balance		\$ 524,245	

**SEQUOYAH COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2015. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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

**SEQUOYAH COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2015-3 – Inadequate Internal Controls Over the County Treasurer's Monthly Reports and Lack of Segregation of Duties in the County Treasurer's Office (Repeat Finding)**

**Condition:** Upon inquiry, observation and review of documentation and testwork, the following was noted:

- There was no documentation that the County Clerk reconciles all funds with the County Treasurer.
- Bank reconciliations were not reviewed and approved by someone other than the preparer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review apportionments, disbursements, and cash balances to verify that these amounts are accurately presented on the monthly reports, and ensure a reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger was performed and that all bank accounts are reconciled and approved by someone other than the preparer. Additionally, policies and procedures have not been designed and implemented to adequately segregate the duties within the Treasurer's office.

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve controls over the County Treasurer's monthly reports, we recommend the following:

- The funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.
- Bank reconciliations should be reviewed by someone other than the preparer.
- Separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

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**Management Response:**

**County Treasurer:** Bank reconciliations are performed daily by the deputy Treasurer. There is currently documentation to show that someone other than the preparer is reviewing all bank reconciliations and we now have documentation to show that the County Clerk is reconciling to the County Treasurer.

**County Clerk:** We have been working with the Treasurer to reconcile all the funds.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Objective 2:** To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

**Conclusion:** With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated. Also, internal controls over the apportionment of the sales tax should be strengthened.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2015-4 – Inadequate Internal Controls and Noncompliance Over the Apportionment and Disbursement of County Sales Tax**

**Condition:** Upon inquiry, observation, and review of documents, regarding the apportionment and disbursement of sales tax funds the following was noted:

- The calculation of sales tax collections performed and apportioned by the County Treasurer are not reviewed or approved by someone other than the preparer.

The test of forty (40) purchase orders revealed two (2) purchases not spent in accordance with the sales tax ballots.

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**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure sales tax collections are being properly apportioned and appropriated to the designated funds and disbursements are in accordance with sales tax ballots.

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

**Recommendation:** OSAI recommends management design and implement policies and procedures to ensure the calculation of sales tax apportionments and appropriations are reviewed by someone other than the preparer. Also, documentation of the review should be maintained.

In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with purposes specified by the ballot as outlined by Title 68 O.S. § 1370E.

**Management Response:**

**County Treasurer:** Going forward the calculations of sales tax collections and the amounts apportioned will be initialed by someone other than the preparer.

**County Clerk:** Going forward I will re-calculate the sales tax apportionments received from the County Treasurer and sign and date on my copy of the 308 form. Additionally, I will try to monitor purchase orders more closely to ensure that only allowable purchases are made in accordance with the sales tax ballots. However, I feel that it is ultimately the elected officer of each particular department's responsibility to know what is allowable.

**County Sheriff:** I will examine all purchase orders a little closer to ensure that we obtain purchase orders from the proper accounts.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure the proper appropriation of sales tax collections, a recalculation of the apportionment and appropriation should be performed and documented.

Further, 68 O.S. § 1370E requires sales tax collections to be deposited in the general revenue or sales tax revolving fund of the county and shall be expended only for the purpose for which such sales tax was designated.

**Objective 3:** To determine the County's financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Objective 4:** To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

**Conclusion:** The County’s internal controls do not provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records.

The County’s financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

## FINDINGS AND RECOMMENDATIONS

### **Finding 2015-6 – Inadequate Internal Controls and Lack of Segregation of Duties Over the Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry, observation and review of the County’s payroll disbursement process the following was noted:

- Of the eleven (11) payroll claims reviewed six (6) did not have signed timesheets and one (1) did not have a timesheet or any documentation to support the claim. Additionally, we noted one (1) timesheet that did not agree to the payroll claim.
- The duties of processing payroll were not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, maintains personnel files, prepares OPERS reports and state and federal tax reports, and initiates the direct deposit process with the financial institution.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regards to payroll disbursement process to ensure segregation of duties and internal controls.

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

**Recommendation:** OSAI recommends 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. The most effective controls lie in management’s oversight of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the



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office, and having management review and approval of accounting functions. Additionally, timesheets should be signed by employee and supervisor and all supporting documentation be attached to claims.

**Management Response:**

**County Clerk:** I have recently implemented a deputy to enter new hires into the system, enroll in insurance and OPERS and prepare and maintain the personal files. When verifying payroll a deputy and I compare the payroll verifications to the timesheets, we will keep documentation of this. We will work to ensure that all timesheets have a signature of the employee and supervisor.

**Court Clerk:** We will ensure that we have accurate and signed timesheets on file.

**Election Board:** I will be more conscious of this in the future and will ensure timesheets are signed.

**District 1:** We have implemented a policy to ensure timesheets are signed and approved.

**County Assessor:** I have been made aware of this condition and will in the future make sure employees and supervisor sign all timesheets.

**Emergency Management:** A timesheet has been developed and will be attested to by one of the County Commissioners each month verifying the hours/days worked and this will be given to the County Clerk each month.

**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 payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated. Additionally, timesheets should be signed by employee and supervisor and all supporting documentation be attached to claims.

**Finding 2015-7 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry of County personnel, observation, and review of documents, regarding the disbursement process, the following was noted:

- The County Clerk does not maintain a printed warrant register to document the signature of the individual receiving the warrant or if it was mailed.

The audit of forty-four (44) purchase orders reflected the following noncompliance:

- Seven (7) were not timely encumbered.
- Four (4) did not have adequate supporting documentation.
- One (1) was not approved by BOCC prior to payment.

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

**Cause of Condition:** Policies and procedures designed by state statute have not been adequately implemented regarding the purchasing processes.

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

**Recommendation:** OSAI recommends the County implement internal control procedures to ensure compliance with purchasing statutes.

**Management Response:**

**County Clerk:** The Purchasing Agent and myself will initial the line for issuance and approval. We have always verified that the funds are there when we issue a purchase order, but we will ensure that there is supporting documentation. I have created a spreadsheet for the officials or department heads to sign when they pick up the warrants.

**County Treasurer:** Cash voucher claims have been used for the Mortgage Certification Fee fund due to the lack of clarity in the Treasurer's handbook and State Statute confirming that said account should be requisitioned. Going forward the Mortgage Certification Fee fund will follow the purchasing procedures.

**Chairman of the Board of County Commissioners:** We will meet with staff reiterating that no purchases or services are to be made without an encumbered purchase orders, and no payments are to be made prior to Board of County Commissioners approving purchase orders.

**County Sheriff:** We will attempt to obtain purchase orders prior to purchasing products.

**Community Sentencing:** This was a one-time issue that will not occur again.

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

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

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**Finding 2015-8 – Inadequate Internal Controls and Noncompliance Over Cash Vouchers - Resale Property (Repeat Finding)**

**Condition:** Upon inquiry of County personnel, observation, and review of documents, regarding the Resale Property Fund, the following was noted:

The audit of nine (9) cash voucher claims reflected the following noncompliance:

- Nine (9) were not reviewed and authorized by the County Clerk.
- Six (6) were not signed by the claimant.
- Eight (8) were not allowable expenditures per state statutes, which are as follows:

<b>Warrant #</b>	<b>Purpose</b>	<b>Amount</b>
3	Gates at Fairgrounds	\$1,075.00
18	Striping Courthouse Parking lot	\$1,351.25
19	Oil and Laying of Asphalt for Courthouse Parking lot	\$10,354.37
57	Repair of Courthouse sidewalk	\$1,000.00
98	Painting of walls in Treasurer's office & vault	\$3,320.00
111	Carpet Replacement	\$4,562.49
122	Refurbish Safe	\$1,850.00
105	Wans Coat and custom trim 1 <sup>st</sup> floor of Courthouse	\$7,446.00
<b>Total</b>		<b>\$30,959.11</b>

Additionally, the County Treasurer did not file a financial statement of the Resale Property fund with the Board of County Commissioners.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with state statutes regarding the Resale Property fund.

**Effect of Condition:** This condition resulted in noncompliance with state statutes, laws, and/or regulations and could result in inaccurate records, incomplete information, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County adhere to state statutes in regards to expenditures from the Resale Property fund.

**Management Response:**

**County Treasurer:** The failure to file a Resale Property fund financial statement was just overlooked and has been corrected.

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The Sequoyah County elected officials meet quarterly to discuss ways and means of improving our surroundings. Each item has been discussed and approved no disbursements or transactions by the County Treasurer were lacking authoritative guidance or consensus. The eight (8) expenditures reported as not allowable per state statute were discussed and approved by the panel of elected officials that meet quarterly, as well as the assistant district attorney. The ADA met with us on various occasions and provided a letter of approval prior to action. All claims were reviewed and authorized. Failure to acquire signatures on any claims was not intentional. Going forward I will be more attentive to that requirement and make sure that it is done.

**County Clerk:** I will start signing the bottom of the Treasurer's Resale cash voucher claim verifying that funds are available.

**Auditor Response:** Oklahoma State Statute Title 68 O.S. § 3137.B defines allowable expenditures of Resale Property fund.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed and implemented to ensure expenditures from the Resale Property fund, including payroll, are made in compliance with 68 O.S. § 3137.

Title 68 O.S. § 3137. E states in part.... On or before the 30th of June of each year the county treasurer shall file a financial statement of the resale property fund with the county clerk for the approval of the board of county commissioners, setting forth the necessary reserves for expenditures either made or anticipated, to cover:

Title 68 O.S. § 3137.B states, "The resale property fund herein created for each county is hereby declared to be a continuous fund, not subject to fiscal year limitations, and is hereby dedicated, insofar as may be necessary, to the enforcement of the tax laws of the state, and is authorized to be expended for the following purposes:

1. For the purchase of necessary records, printing, supplies and equipment, and the employment of necessary clerical personnel, either on whole or part-time basis, in connection with delinquent personal tax lists and personal tax warrants, delinquent real estate tax lists and lists of unredeemed delinquent real estate subject to tax sale or resale, such costs to be limited to those incurred by the county treasurer;
2. For payment of the cost of advertising or publication, or posting if publication cannot be had, of any such lists;
3. For the reimbursement of the purchaser at resale or at commissioners' sale of any lot, tract, or parcel of real estate, sold at resale, against which no tax was due, or where the inclusion of such lot, tract, or parcel in the publication and offer for resale has been held invalid by a court of competent jurisdiction, or where the title thereto is vested in the Commissioners of the Land Office of the State of Oklahoma, or where such Commissioners of the Land Office have instituted or successfully terminated mortgage foreclosure

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proceedings in relation thereto prior to issuance of either a resale tax deed or a county commissioners' deed, or where such tract or parcel was nontaxable at the time of the assessment thereof for taxes, or where the sale thereof to such purchaser was illegal for any other reason; and such purchaser has no adequate recourse against the property thus sold; such reimbursement shall be made in the order of the claims filed with the county treasurer therefore, when properly supported by evidence satisfactory to said treasurer that the claimant is entitled to reimbursement hereunder. Provided, however, that no claim for refund not filed, as herein provided, within a period of three (3) years from the date of such sale shall be allowed or paid from said fund; and

4. For all rebates allowed under authority of statute by the board of county commissioners or the tax roll correction board of the county upon taxes found to have been illegally or erroneously collected, or on sale of certificate or issue of tax deed on lands or lots on which no tax was due or as to which the sale thereof is or was illegal for any reason. Provided, however, before the owner of such invalid deed may be reimbursed as aforesaid, he shall first be required to divest himself of purported title by attaching a quitclaim deed or other disclaimer to his claim for refund, setting out the reason for invalidity of the tax deed. The same procedure for refund shall apply whether the tax deed be from the county treasurer or the chairman of the board of county commissioners. The determination of whether such property has been erroneously sold for taxes to such purchaser, shall be made by the board of county commissioners; and in event title under an invalid resale tax deed remains with the county commissioners, the board of county commissioners so finding same invalid shall execute its resolution or order of disclaimer which shall be filed in the deed records of the county clerk without fee. No fee shall be charged for recording any quitclaim deed or disclaimer from the purchaser under the provisions of this section."

**All Objectives:**

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

**Finding 2015-1 – Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed and implemented to address risks of the County.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address risks of the County.

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

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

**Management Response:**

**Chairman, Board of County Commissioners:** We will strive to implement procedures in our monthly meetings to identify and address risks to the County, should there be any and determine how to best monitor and address those risks.

**County Treasurer:** County officials try and meet quarterly to address any issues and we will document our endeavors to reduce the risk of fraud.

**County Clerk:** We will meet quarterly to identify and address risks. We are currently working with our Assistant District Attorney to update our policies and procedures handbook.

**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 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.

**Finding 2015-2 – Inadequate Internal Controls Over Information Systems Security – County Treasurer (Repeat Finding)**

**Condition:** Upon review of the computer systems within the County Treasurer's office, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

**Effect of Condition:** This condition could result in compromised security for computers, computer programs, and data.

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**Recommendation:** OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Management Response:**

**County Treasurer:** This issue has been brought to the attention of and resolved by our technical support staff.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**





# Oklahoma State Auditor & Inspector

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

Sequoyah County  
Board of County Commissioners  
Sequoyah County Courthouse  
Sallisaw, Oklahoma 74955

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2015:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Sequoyah County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink that reads "Gary A. Jones".

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

August 29, 2017

**SEQUOYAH COUNTY, OKLAHOMA  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2015-9 – Inadequate Segregation of Duties Over Court Clerk Revolving Fund and Court Fund (Repeat Finding)**

**Condition:** Upon inquiry and the 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 of one cash drawer and can balance the cash drawer at end of day.
- One employee creates and prints vouchers, takes vouchers to be registered and mails out vouchers.
- Claims are signed by the District Judge and Associate Judge after disbursements have been 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 employees 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:** I will consider using separate cash drawers but at this time this works out best for us. The person that issues vouchers will not be the person that takes to be registered at the Treasurer’s office and someone else will be designated to mail out the vouchers. We will implement procedures to have claims signed prior to issuing.

**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.

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**Finding 2015-10 – Reconciliation of the Court Clerk Revolving Fund (Repeat Finding)**

**Condition:** During our review of the reconciliation reports for the Court Clerk Revolving Fund, we noted the following:

- The Court Clerk’s Revolving Fund quarterly report balance was not reconciled to the County Treasurer’s balance at June 30, 2015.

**Cause of Condition:** Management has not designed and implemented policies and procedures to ensure the Court Clerk Revolving Fund balances are reconciled to the County Treasurer’s general ledger balances.

**Effect of Condition:** This condition could result in inaccurate reports or incomplete records.

**Recommendation:** OSAI recommends the Court Clerk’s Revolving Fund balance be reconciled to the County Treasurer’s general ledger.

**Management Response:**

**Court Clerk:** I am working on trying to come up with a balance that I can start from to get this account on track.

**Criteria:** Safeguarding controls are an important aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control.

**Finding 2015-11 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Regarding the Inmate Trust Fund Checking Account, the following weaknesses were noted:

- One person can input information into commissary system, has administrative rights to the system, issues checks and debit cards, prepares the deposit and performs the bank reconciliation.
- June 30, 2015 bank reconciliations for the Inmate Trust Fund Checking Account and master funding account were not accurate and not reviewed by someone other than preparer.
- Individual inmate ledger balances are not being reconciled to the bank statements each month.
- Deposits are not made daily.
- Receipts are not retained from when inmates are booked in.
- The credit card company collects inmates’ monies from kiosk and deducts their fees and then deposits monies into inmate trust fund account, no one is ensuring that amount deposited is correct.
- The credit card company also has access to the Inmate Trust Fund Checking Account and can deduct monies without the Sheriff’s approval.
- Checks and debit cards are left in an unsecure location and all employees have authorization to print checks and load debit cards.

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- 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 testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted regarding two hundred (200) disbursements/checks tested:

- Forty-five (45) checks were issued directly to vendors for commissary.
- Ninety-seven (97) checks were issued to Sequoyah County Jail for various reimbursements.
- Fifteen (15) checks were issued to individuals other than inmates.
- One (1) check was issued to Sequoyah County Court Clerk.

**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.
- Bank reconciliations should be performed accurately on a monthly basis and be reviewed by someone other than the preparer.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.
- All collections be deposited daily.
- Receipts should be maintained.
- The Sheriff should be ensuring that vendor is depositing correct profit amount.
- Credit Card Company should not be able to deduct monies from the Inmate Trust Checking account without the Sheriff's approval or knowledge.
- Checks and debit cards should be properly accounted for and stored in a secure area.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

**Management Response:**

**County Sheriff:**

- To correct the segregation of duties weakness the person that collects and prepares the deposit will not be who delivers to the bank. The deposit slip will be initialed and reviewed by someone other than whom preparer it.
- Someone independent of the reconciliation will review for accuracy and ensure all discrepancies have been addressed before completion.

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- We will start filing a Commissary annual report with the Board of County Commissioners.
- We will train two day shift supervisors on how to prepare deposits and we will start depositing daily.
- This matter will be resolved by providing more training to our employees to ensure that they know they are to retain and keep receipts.
- We are currently terminating our contract with this vendor and attempting to secure services with another vendor that will not have access to the kiosk and the Sheriff's office will have full responsibility and control over the entire inmate trust fund deposit process and will eliminate any third party access.
- The Sequoyah County Detention Center employees all need access in order to issue checks or debit cards to inmates upon release, but in order to ensure safety they will be placed in a locked lock box located in booking in view of the surveillance camera.
- We will no longer issue checks from the Inmate Trust Fund Checking Account to anyone other than an inmate upon release or checks to the Sheriff Commissary Fund.

**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. Failure to perform tasks that are part of internal controls, such and individual inmate fund reconciliation not performed, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

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 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 for unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 531 C. states, "Banking fees on the account may be paid out of the Sheriff Commissary Account of the county Sheriff's Service Cash Fund."

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**Finding 2015-12– Inadequate Internal Controls and Noncompliance Over Fixed Assets Records (Repeat Finding)**

**Condition:** While gaining an understanding of controls over fixed assets, and testing compliance with state statutes over fixed assets, we noted the following:

- The County has not set forth procedures to perform and document an annual physical inventory to ensure compliance with 19 O.S. § 178.1.
- The following offices/departments did not file an annual physical inventory with the County Clerk’s office: Emergency Management, and the following fire departments: Brent, Gans, Gore, Liberty, Maple, Roland, Central High and Lee Creek.

**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:** This condition resulted in noncompliance with state statutes and could result in inaccurate, incorrect information or loss of assets.

**Recommendation:** OSAI recommends the County implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 178.2 regarding fixed assets inventory records. These controls would include that all offices:

- Retain documentation to verify the physical inventory counts were performed.
- Inventory counts should be performed by someone other than the receiving officer or inventory officer.
- Complete and up to date inventory records should be on file with the County Clerk.

**Management Response:**

**Chairman, Board of County Commissioners:** We are going to send out a letter to all offices including fire departments that receive sales tax and make sure they are aware of their requirements to file an updated inventory list with the County Clerk’s office annually.

**Emergency Management:** Inventory is updated as needed and verified the first of every year, a copy will be provided to the County Clerk’s office.

**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. § 178.1 and 19 O.S. § 178.2.

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**Finding 2015-13 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories**

**Condition:** The following was noted, while gaining an understanding of internal controls over consumable inventory and testing compliance with state statutes over consumable inventory:

- District 1, 2 & 3 do not retain documentation of their consumable inventory review.

Additionally, it was noted that District 2 is accepting payments for reimbursements in the form of checks, but that those monies are not being deposited daily with the County Treasurer.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of consumable inventory by performing physical inventory counts, maintaining of the consumable inventory records, and performing reconciliations between fuel records and the actual fuel on hand.

**Effect of Condition:** Failure to maintain accurate records of consumable inventories and failure to perform a periodic physical inventory of consumable inventories could result in inaccurate records, unauthorized use of consumable inventories, or misappropriation of consumable inventories.

**Recommendation:** OSAI recommends that District 1 and 3 County Commissioners maintain a fuel record with a balance and reconciliations to the actual fuel on hand be performed and documented. In addition, OSAI recommends that District 1, 2, and 3 perform a monthly physical count of all consumable inventories and retain proper documentation to verify a physical count was performed. Furthermore, all monies received must be deposited daily.

**Management Response:**

**County Commissioner District 1:** We will keep documentation of the review of consumables.

**County Commissioner District 2:** We will make sure that we have documentation for our review of consumables and any checks received will be brought to courthouse daily.

**County Commissioner District 3:** Procedures have been developed and implemented to ensure accuracy of record keeping and to help aid in loss prevention. Consumable inventories including tinhorns will be checked monthly, signed off on and documentation retained.

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

Title 19 O.S. § 1504 (A) states in part, "A receiving officer shall receive all supplies, material, and equipment purchased, lease-purchased or rented by his department and shall identify such items received in a manner prescribed by the county road and bridge inventory officer or

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board of county commissioners or designee. The receiving officer shall also maintain a record of all supplies, materials and equipment received, disbursed, stored, and consumed by his department.”

Title 19 O.S. § 682 states in part, “It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office.”





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