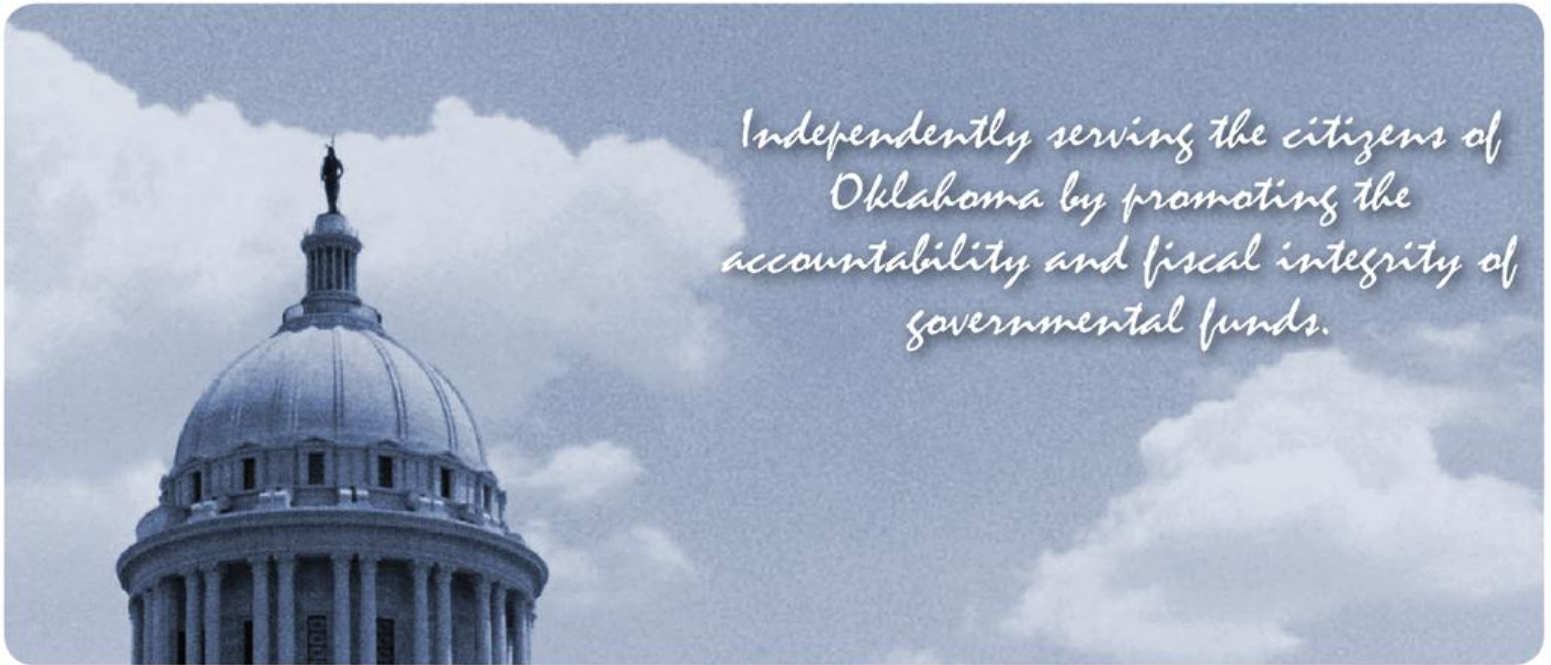


COUNTY AUDIT

SEQUOYAH COUNTY

For the fiscal year ended June 30, 2012



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



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

**SEQUOYAH COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

May 29, 2015

TO THE CITIZENS OF
SEQUOYAH COUNTY, OKLAHOMA

Transmitted herewith is the audit of Sequoyah County, Oklahoma for the fiscal year ended June 30, 2012. 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, appearing to read "Gary A. Jones".

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

**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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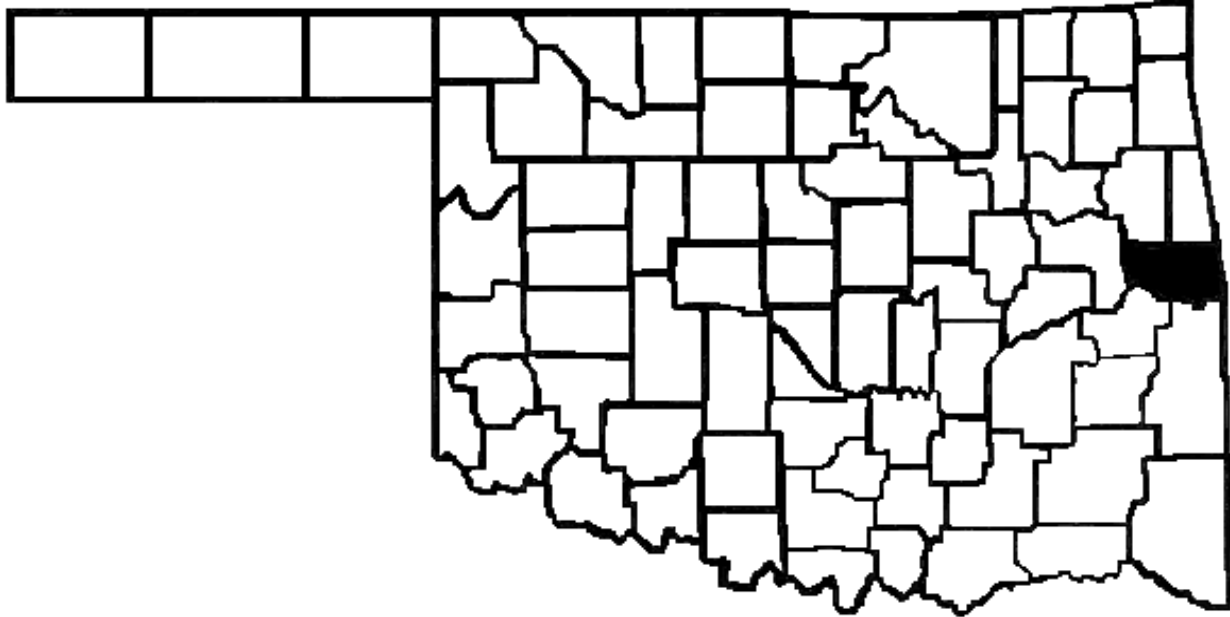
**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**SEQUOYAH COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



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 Cherokees. During the removal of 1835, a group of Cherokees settled permanently in this area. Tahlonteskee, 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 918-775-4516.

County Seat – Sallisaw

Area – 714.88 Square Miles

County Population – 41,433
(2009 est.)

Farms – 1,352

Land in Farms – 231,943 Acres

Primary Source: Oklahoma Almanac 2011-2012

**SEQUOYAH COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Board of County Commissioners

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

County Assessor

Donna Graham

County Clerk

Vicki Sawney

County Sheriff

Ron Lockhart

County Treasurer

Tricia Yates

Court Clerk

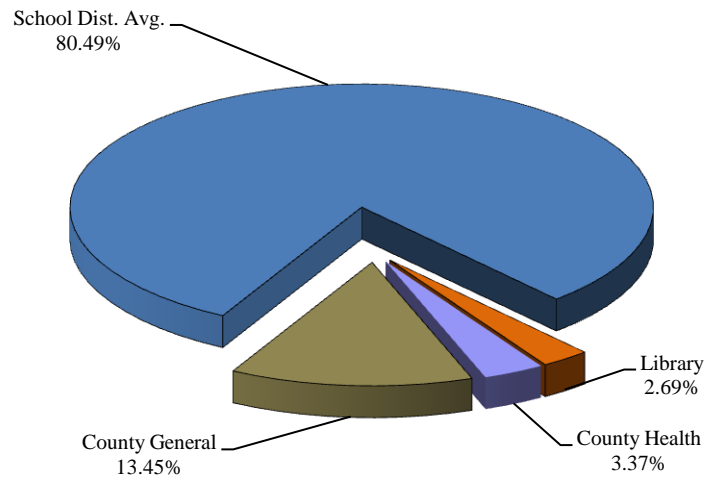
Vicki Beaty

District Attorney

Brian Kuester

**SEQUOYAH COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

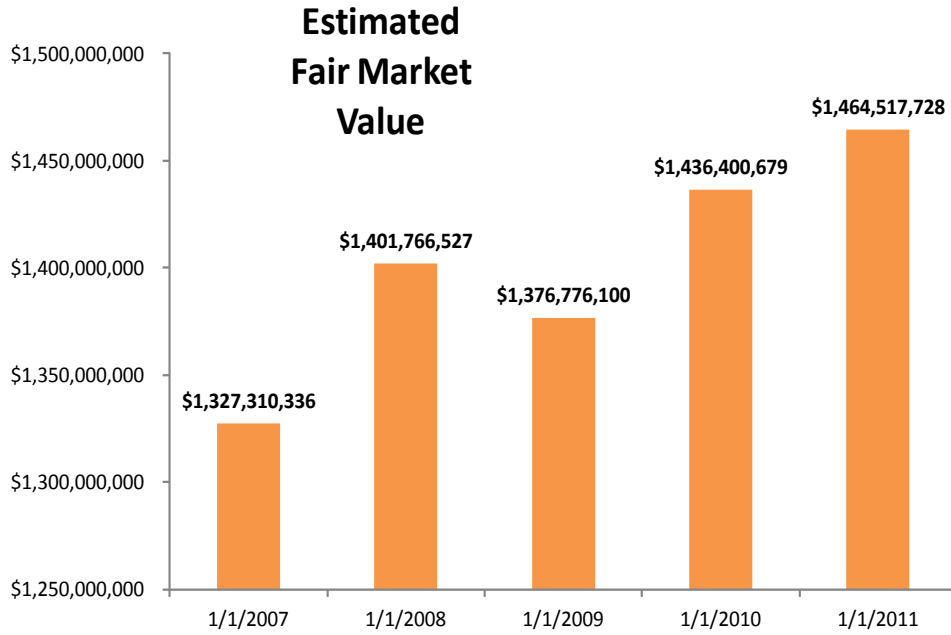
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Sk.	Career Tech	Common	Total
County General	10.34								
County Health	2.59	Sallisaw	I-1	36.07	5.15	-	10.35	4.14	55.71
Library	2.07	Vian	I-2	36.24	5.18	22.89	10.35	4.14	78.80
		Muldrow	I-3	36.37	5.20	-	10.35	4.14	56.06
		Gans	I-4	36.56	5.22	13.76	10.35	4.14	70.03
		Roland	I-5	35.93	5.13	13.07	10.35	4.14	68.62
		Gore	I-6	35.93	5.13	8.91	10.35	4.14	64.46
		Braggs	Jt-46	35.54	5.08	-	10.35	4.14	55.11
		Central	I-7	36.85	5.26	-	10.35	4.14	56.60
		Liberty	C-1	37.00	5.29	7.94	10.35	4.14	64.72
		Marble City	C-35	35.82	5.12	-	10.35	4.14	55.43
		Brushy	C-36	36.92	5.27	10.89	10.35	4.14	67.57
		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
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

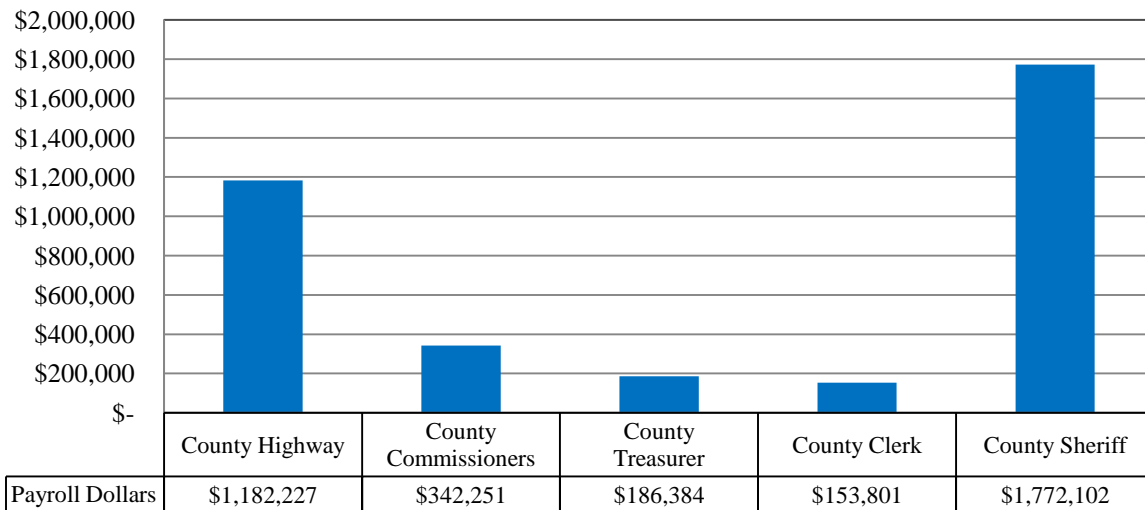
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2011	\$14,907,490	\$20,328,810	\$134,912,413	\$11,285,553	\$158,863,160	\$1,464,517,728
1/1/2010	\$15,183,497	\$20,521,101	\$131,423,361	\$10,989,892	\$156,138,067	\$1,436,400,679
1/1/2009	\$14,652,216	\$18,035,500	\$129,588,132	\$10,830,477	\$151,445,371	\$1,376,776,100
1/1/2008	\$22,286,507	\$16,993,392	\$125,560,253	\$10,645,834	\$154,194,318	\$1,401,766,527
1/1/2007	\$21,500,548	\$16,775,516	\$118,268,773	\$10,540,700	\$146,004,137	\$1,327,310,336



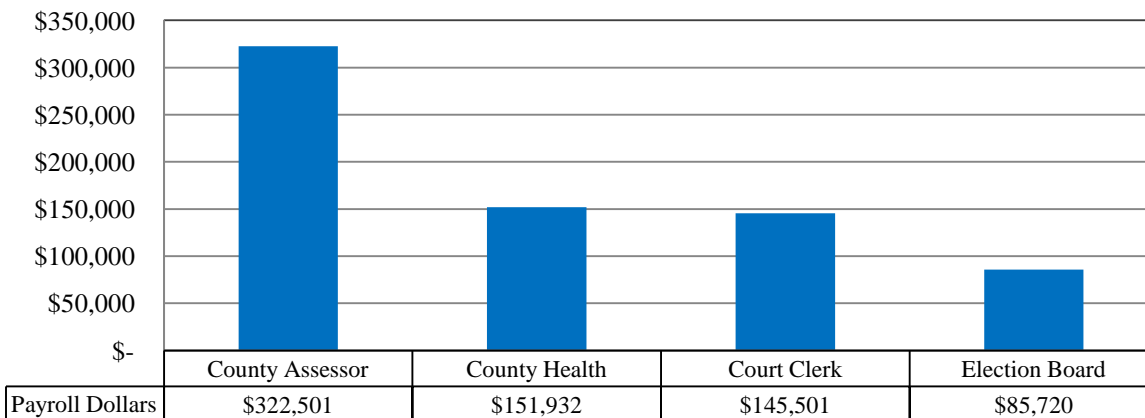
**SEQUOYAH COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2012.

Payroll Expenditures by Department



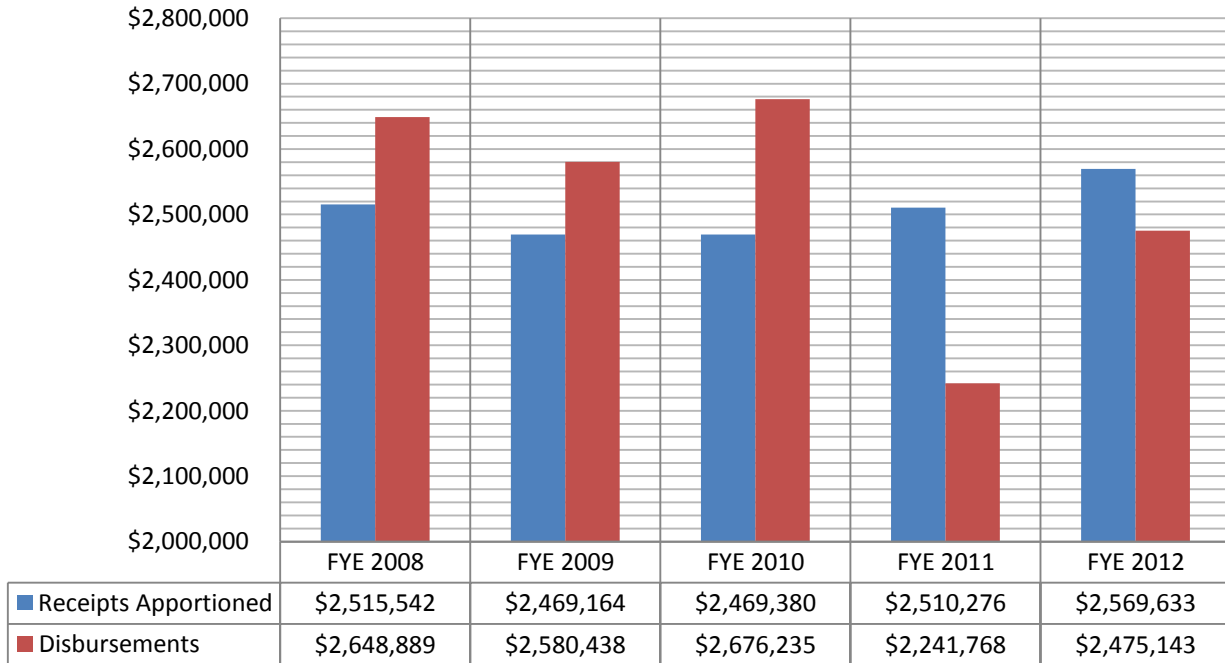
Payroll Expenditures by Department



**SEQUOYAH COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

County General Fund

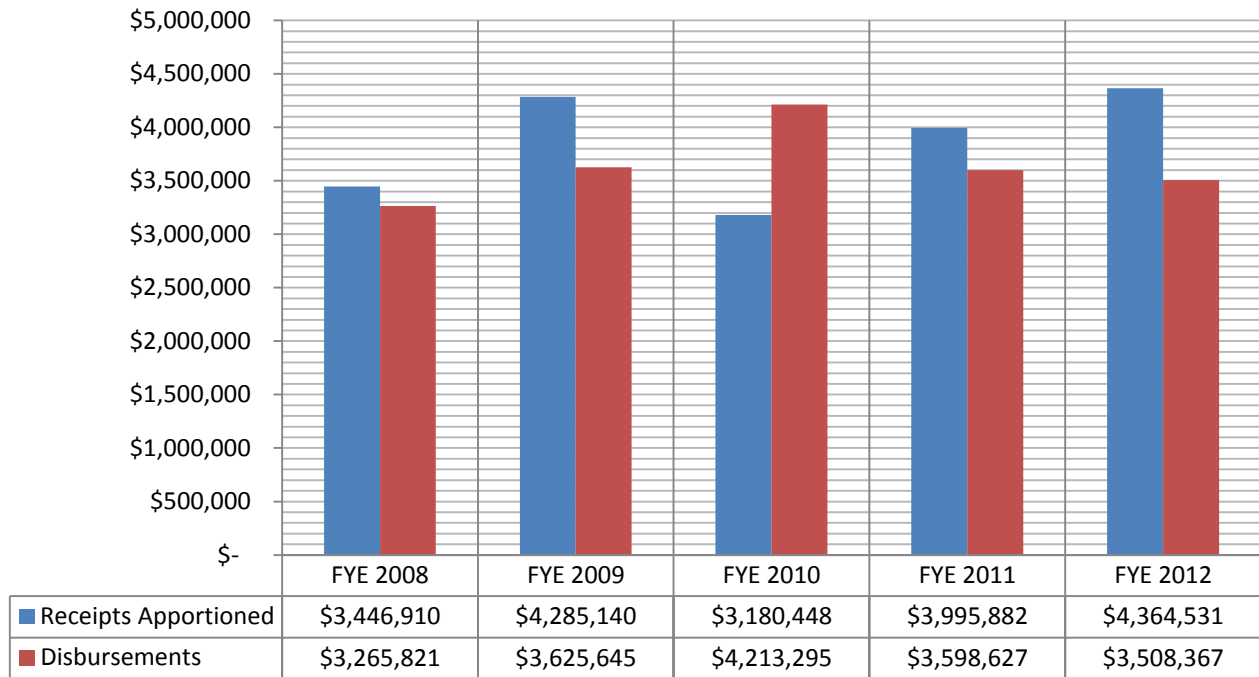
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2012**

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.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined 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, 2012, listed in the table of contents as the financial statement. This financial statement is the responsibility of Sequoyah County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Sequoyah County as of June 30, 2012, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Sequoyah County, for the year ended June 30, 2012, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015, on our consideration of Sequoyah County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all 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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

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

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

May 21, 2015

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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2012
Combining Information:						
Major Funds:						
County General	\$ 759,236	\$ 2,569,633	\$ 300,000	\$ 550,000	\$ 2,475,143	\$ 603,726
Highway Cash	1,670,061	4,364,531	550,000	300,000	3,508,367	2,776,225
County Health	339,157	402,605	-	-	294,667	447,095
Sales Tax Revolving Fund	1,197,615	1,163,689	-	-	1,107,156	1,254,148
Sheriff Service Fee	276,654	538,061	-	-	453,161	361,554
Resale Property	226,218	228,154	-	-	151,263	303,109
County Jail Sales Tax	430,740	1,660,087	-	-	1,739,973	350,854
Fire Department Sales Tax	925,617	587,187	-	-	452,784	1,060,020
Remaining Aggregate Funds	329,167	405,352	-	-	451,435	283,084
Combined Total - All County Funds	<u>\$ 6,154,465</u>	<u>\$ 11,919,299</u>	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 10,633,949</u>	<u>\$ 7,439,815</u>

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, 2012**

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 county 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 revenues from the ad valorem taxes, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

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

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

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Sheriff Service Fee – accounts for the collection of the Sheriff’s process service fees. Disbursements are for any lawful expense of the Sheriff’s office.

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.

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

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

The voters of Sequoyah County approved a 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 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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 (½%) sales tax effective January 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.

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

E. Interfund Transfers

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

- On August 31, 2011, \$250,000 was transferred from County General to Highway Cash for the repayment of a loan, made during the 2011 fiscal year, in accordance with 68 O.S. § 3021.
- On September 11, 2011, \$250,000 was transferred from Highway Cash to County General to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- On December 31, 2011, \$50,000 was transferred from Highway Cash to County General to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- On January 31, 2012 \$300,000 was transferred from the County General to Highway Cash for the repayment of a loans in accordance with 68 O.S. § 3021.

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, 2012

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 509,236	\$ 759,236	\$ 250,000 *
Less: Prior Year Outstanding Warrants	(97,154)	(97,154)	-
Less: Prior Year Encumbrances	(36,637)	(35,464)	1,173
Beginning Cash Balances, Budgetary Basis	<u>375,445</u>	<u>626,618</u>	<u>251,173</u>
Receipts:			
Ad Valorem Taxes	1,467,698	1,590,587	122,889
Charges for Services	112,400	130,961	18,561
Intergovernmental Revenues	517,291	727,019	209,728
Miscellaneous Revenues	317,536	121,066	(196,470)
Total Receipts, Budgetary Basis	<u>2,414,925</u>	<u>2,569,633</u>	<u>154,708</u>
Expenditures:			
District Attorney	2,000	1,884	116
County Sheriff	337,800	337,484	316
County Treasurer	127,467	127,128	339
County Commissioners	417,631	160,516	257,115
OSU Extension	26,484	26,343	141
County Clerk	154,868	153,785	1,083
Court Clerk	151,987	145,505	6,482
County Assessor	59,133	59,133	-
Revaluation of Real Property	308,006	295,198	12,808
General Government	440,260	430,268	9,992
Excise-Equalization Board	3,300	1,481	1,819
County Election Board	105,381	100,323	5,058
Insurance	573,357	564,160	9,197
Civil Defense/Emergency Management	36,163	34,863	1,300
County Audit Budget Account	46,533	46,533	-
Total Expenditures, Budgetary Basis	<u>2,790,370</u>	<u>2,484,604</u>	<u>305,766</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	711,647	<u>\$ 711,647</u>
Operating Transfers:			
Operating Transfers In		300,000	
Operating Transfer Out		<u>(550,000)</u>	
Net Operating Transfers		(250,000)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		140	
Add: Current Year Outstanding Warrants		141,228	
Add: Current Year Encumbrances		711	
Ending Cash Balance		<u>\$ 603,726</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, 2012**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 339,157	\$ 339,157	\$ -
Less: Prior Year Outstanding Warrants	(17,520)	(17,520)	-
Less: Prior Year Encumbrances	(54,207)	(40,919)	13,288
Beginning Cash Balances, Budgetary Basis	267,430	280,718	13,288
Receipts:			
Ad Valorem Taxes	367,634	398,331	30,697
Charges for services	-	3,920	3,920
Miscellaneous Revenues	5,615	354	(5,261)
Total Receipts, Budgetary Basis	373,249	402,605	29,356
Expenditures:			
Health and Welfare	640,679	264,649	376,030
Total Expenditures, Budgetary Basis	640,679	264,649	376,030
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	418,674	\$ 418,674
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		16,792	
Add: Current Year Outstanding Warrants		11,629	
Ending Cash Balance		\$ 447,095	

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, 2012

	Beginning Cash Balances July 1, 2011	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2012
Remaining Aggregate Funds:				
Assessor Fee Revolving	\$ 5,700	\$ 2,358	\$ 6,369	\$ 1,689
Assessor Visual Inspection	1,111	-	-	1,111
Community Service Sentencing Program	118,625	67,135	79,503	106,257
County Clerk Lien Fee	1,970	8,933	10,184	719
County Clerk Preservation Fee	14,626	38,846	38,562	14,910
Civil Defense "Emergency Management"	27,075	18,425	7,864	37,636
Mortgage Certification Fee	83,582	6,800	-	90,382
Sheriff D.A.R.E.	41,349	55,750	84,114	12,985
Sheriff Training Fund	1,120	6,721	2,604	5,237
Lake Patrol	4	3,500	-	3,504
Sheriff Drug Fund	2,211	16,289	14,495	4,005
Trash Cop	893	-	-	893
CDBG Grant	-	110,330	110,330	-
Sequoyah County Fair Board	-	6,465	6,035	430
HMEP Planning Grant	166	-	-	166
Bureau of Justice Grant	29,064	63,800	91,375	1,489
Local Law Enforcement Grant	856	-	-	856
Sheriff Equipment	16	-	-	16
Sheriff STOP Grant	781	-	-	781
CDBG 14 Flags Museum	18	-	-	18
Combined Total - Remaining Aggregate Funds	\$ 329,167	\$ 405,352	\$ 451,435	\$ 283,084

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Budgetary Schedules

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

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

2. Remaining County Funds

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

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

Assessor Visual Inspection – accounts for the collection of fees charged to all entities receiving ad valorem taxes and disbursed by the 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 charged 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 Treasurer's office.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Sheriff D.A.R.E. – accounts for revenues received from five rural schools and donations from businesses. Disbursements are for the salary of two full-time deputies and supplies for the D.A.R.E. program.

Sheriff Training Fund – accounts for monies received from the sale of property forfeited in drug cases. Disbursements are for office training, equipment, and crime prevention.

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.

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

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

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.

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

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

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2012, which comprises Sequoyah County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated May 21, 2015. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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, 2012, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2012-1, 2012-5, 2012-6, 2012-7, and 2012-15.

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 deficiency in internal control described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. 2012-11.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequoyah County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2012-7 and 2012-15.

We noted a certain matter regarding statutory compliance that we reported to the management of Sequoyah County, which is included in Section 2 of the schedule of findings and responses contained in this report.

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

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



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

May 21, 2015

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 2012-1 – Inadequate County-Wide Controls (Repeat Finding)

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

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

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

Recommendation: The Oklahoma State Auditor and Inspector’s Office (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: Sequoyah County will be reviewing the examples of risk and procedures provided to us by OSAI and implement steps accordingly.

County Clerk: The County Officials will try to meet quarterly to address and reduce the risk of fraud.

County Treasurer: Sequoyah County will implement steps to address risk and monitoring.

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

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

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Finding 2012-5 – Inadequate Segregation of Duties for Payroll (Repeat Finding)

Condition: Upon inquiry and observation of the County’s payroll process, it was noted that the County Clerk/Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, and maintains personnel files.

Cause of Condition: Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the payroll process.

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

Management Response:

County Clerk: I would like to note that my term of office began January 2, 2013, well after these discrepancies occurred. I have implemented the following changes in regards to running payroll. I run a verification report. The purchasing agent and myself sit down and verify time sheets to the report. After this I print the payroll affidavit and take to each department head to sign verifying that the employees listed are to be paid in that amount from that account. At this time the commissioners approve.

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.

Finding 2012-6 – Inadequate Segregation of Duties for Purchasing (Repeat Finding)

Condition: Upon inquiry and observation of the County’s purchasing process, it was noted that the Purchasing Agent:

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- Prepares and inputs purchase orders in the computer.
- Prints purchase orders.
- Encumbers purchase order.
- Enters purchase order into purchase order log.
- Reviews purchase order with supporting documentation and checks for accuracy.
- Approves the encumbrance.
- Verifies the receiving officer.
- Certifies that the purchase order is ready for payment.
- Makes adjustments to purchase orders.

County Clerk:

- Enters information into the warrant register.
- Prepares/prints the warrants.
- Takes warrants to the Treasurer to be registered.
- Signs warrants.
- Prints verification report and verifies report total to the purchase order amount.
- Mails warrants.

Cause of Condition: Policies and procedures have not been designed with regard to segregation of duties and/or compensating controls of the purchasing process.

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

Further, the duties of encumbering funds and posting to the ledger should be separated from the printing and distribution of payments.

Management Response:

County Clerk: I would like to note that my term of office began January 2, 2013, well after these discrepancies occurred. I have implemented the following changes in regards to the purchasing process. The purchasing agent will print the verification report, then the County Clerk verifies vendor, amount, receiving officer and totals by fund. The commissioners then approve the purchase order and payment. The County Clerk then prints the warrants and a deputy clerk seals and delivers warrants to Treasurer. When warrants come back from Treasurer's office two deputy clerks verify warrants and purchase orders for vendor, address, warrant number and amount. Warrants are then marked by deputies.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy of funds, the duties of processing, authorizing, and distribution should be segregated.

Finding 2012-7 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)

Condition: While testing sixty-six purchase orders, we noted the following:

- Eight were not timely encumbered.

Additionally, we reviewed the bids for five expenditures, noting two of the bids were solicited for a specific brand and model, which excluded vendors with similar items from submitting a competitive bid. Also, we noted that the County did not solicit bids for fuel and used one vendor for most fuel purchased.

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: This condition resulted in noncompliance with state statutes, laws, regulations or legislative intent 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. Purchase orders should have invoices attached and additional supporting attached.

Management Response:

County Clerk: I would like to note that my term of office began January 2, 2013, well after these discrepancies occurred. I have implemented the following changes in regards to purchase orders we verify all supporting documentation three times.

Chairman, Board of County Commissioners: The above issues have been discussed with each office, and they have been made aware of proper purchasing procedures and will adhere to such.

Criteria: 19 O.S. § 1505 prescribes established for the requisition, purchase, lease-purchase, rental, and receipt or supplies, materials, and equipment for maintenance, operation, and capital expenditures of county government.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Finding 2012-11 – Reconciliation of the Appropriation Ledger to General Ledger (Repeat Finding)

Condition: Based on our documentation of controls and testwork, it was noted that reconciliations are not being performed between the County Clerk's appropriation ledger and the County Treasurer's general ledger.

Cause of Condition: Procedures have not been designed to ensure the reconciliation of the County Clerk's appropriation ledger the County Treasurer's general ledger.

Effect of Condition: This condition could result in unrecorded transactions and undetected errors.

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 am currently working with the County Treasurer's office to get this taken care of. This is quite a task since as far as I can tell it has never been done. We currently have only three accounts done; I will get this done as soon as possible.

County Treasurer: This has been addressed and we are currently working on this.

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

Finding 2012-15 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute

Condition: At June 30, 2012, the County's deposits were not secured by pledged collateral at local bank in the amount of \$480,722.08.

Cause of Condition: Procedures have not been designed to monitor bank balances on a daily basis to ensure all deposits are adequately secured.

Effect of Condition: This condition resulted in noncompliance with state statute and unsecured County funds and could result in possible loss of County funds.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Recommendation: OSAI recommends that the County design procedures to compare bank balances to the pledged collateral ledgers daily to ensure that county funds are adequately secured against loss by a financial institution. Documentation for this daily procedure should be maintained.

Management Response:

County Treasurer: The County had unsecured deposits on various days due to relying upon the banks to maintain adequate pledged collateral. On certain days large deposits were made and transferred out the following day. This matter has been addressed and discussed with the banks. I will contact the banks to remind them when it is close to our biggest collection period. I will be persistent in making sure we have adequate pledged collateral.

Criteria: Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

SECTION 2—This section contains a certain matter not required to be reported in accordance with *Government Auditing Standards*. However, we believe this matter is significant enough to bring to management’s attention. We recommend that management consider this matter and take appropriate corrective action.

Finding 2012-19 – 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 receives money, prepares the deposit, takes the deposit to the bank, and performs the bank reconciliation for the Inmate Trust Fund Checking Account.
- Individual Inmate Trust Fund Checking Account balances are not being reconciled to the bank statements each month.
- 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.
- All checks issued did not have two authorized signatures.
- All voided receipts were not retained.
- Deposits are not made daily.
- Bank reconciliations are not performed on a monthly basis.
- The credit card company collects inmates’ monies from kiosk and deducts their fees and then deposits monies into inmate trust fund account.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

After performing testwork regarding Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted:

- Checks are being issued directly to the vendor for commissary items rather than following procedures for expenditures as outlined in state statutes.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust 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.
- Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposit, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- Bank reconciliations should be performed on a monthly basis.
- All collections should be deposited daily.
- 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 should have two authorized signatures.
- Expenditures should be made from the Sheriff Commissary Fund in accordance with 19 O.S. § 180.43.

Management Response:

County Sheriff: The Sequoyah County Detention Center is operating with a minimum staff and sometimes it is hard to segregate duties. We are going to implement the following changes:

- a. The operations manager is removing and counting monies and ensuring that money in hand is same amount as indicated by records.
- b. The deposit book and receipts will have two signatures, one who deposited and one who reviewed the count of money. A separate officer will take the money to the bank and deposit.
- c. The operations manager will then reconcile the books at the end of each month once bank statement has been received.

The practice of depositing daily has been done here, unless something happens which requires a shortage of staff in the jail, or there are discrepancies that must be reviewed with other staff members before deposit can be made. Such items could possibly cause delay of depositing monies.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

I was not aware that a commissary report was required to be filed with the Board of County Commissioners each year, we will implement this.

We have ordered new checks that require two signatures and we will make sure that only those authorized to sign will be signing checks.

We will start using our commissary fund in accordance with 19 O.S. § 180.43

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 E and 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.” In addition, 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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