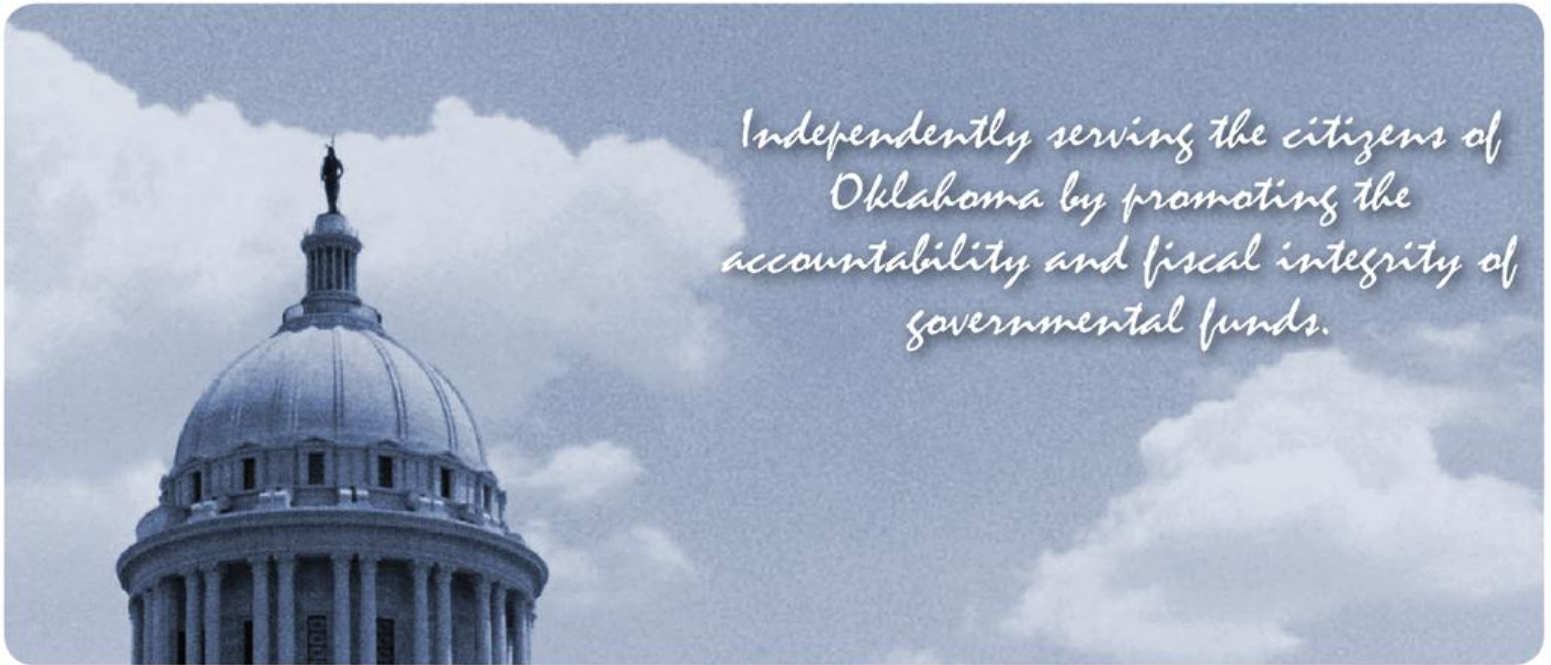


COUNTY AUDIT

SEQUOYAH COUNTY

For the fiscal year ended June 30, 2013



*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, 2013**

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, 2013. 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', is written over a horizontal line.

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

**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**SEQUOYAH COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

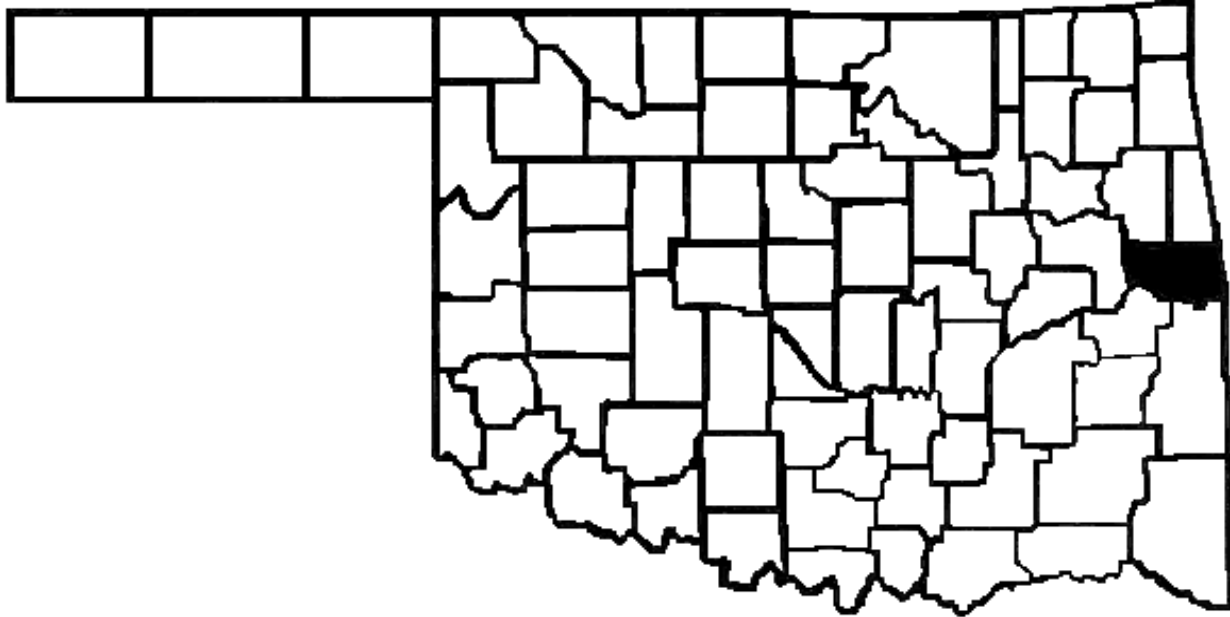
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**SEQUOYAH COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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 – 41,398
(2012 est.)

Farms – 1,352

Land in Farms – 231,943 Acres

Primary Source: Oklahoma Almanac 2013-2014

**SEQUOYAH COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Tricia Yates

Court Clerk

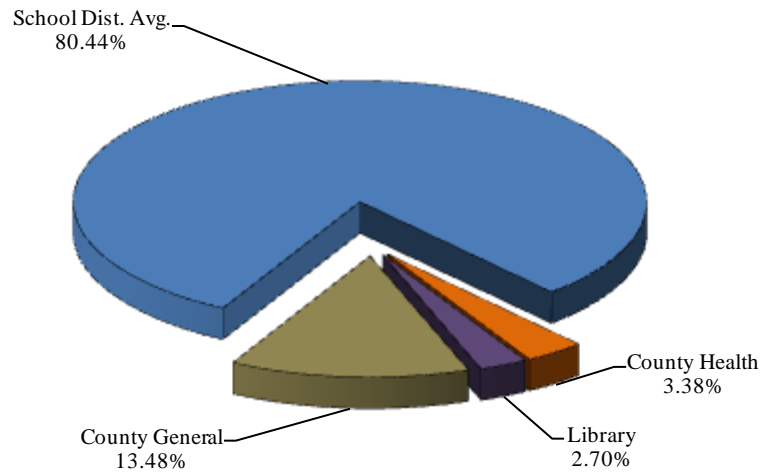
Vicki Beaty

District Attorney

Brian Kuester

**SEQUOYAH COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

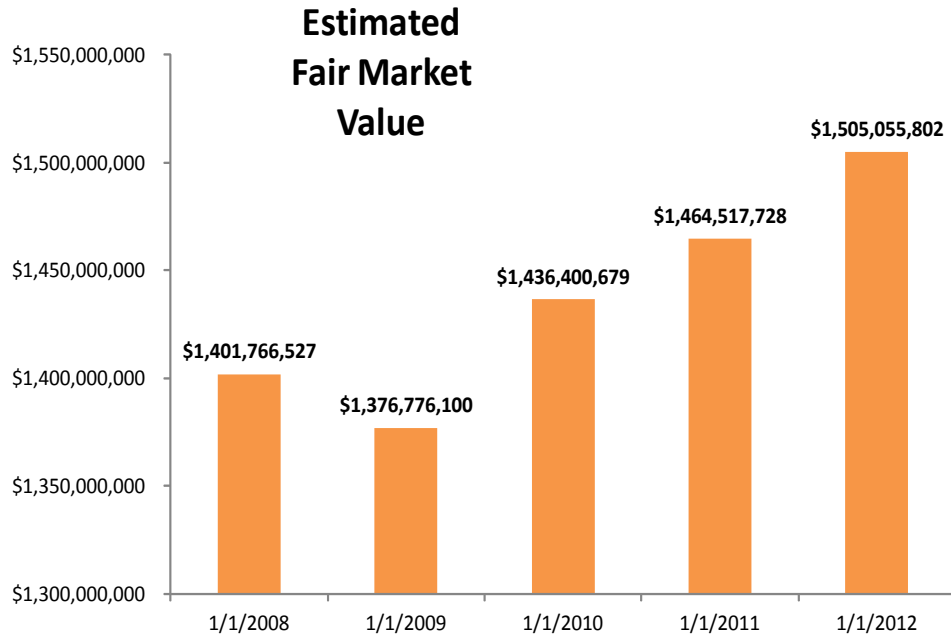
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	-	10.35	4.14	55.71
Library	2.07	Vian	I-2	36.24	5.18	22.05	10.35	4.14	77.96
		Muldrow	I-3	36.37	5.20	-	10.35	4.14	56.06
		Gans	I-4	36.56	5.22	17.56	10.35	4.14	73.83
		Roland	I-5	35.93	5.13	11.90	10.35	4.14	67.45
		Gore	I-6	35.93	5.13	7.01	10.35	4.14	62.56
		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	D-1	37.00	5.29	7.16	10.35	4.14	63.94
		Marble City	D-35	35.82	5.12	-	10.35	4.14	55.43
		Brushy	D-36	36.92	5.27	9.81	10.35	4.14	66.49
		Belfonte	D-50	36.81	5.26	-	10.35	4.14	56.56
		Moffett	D-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, 2013**

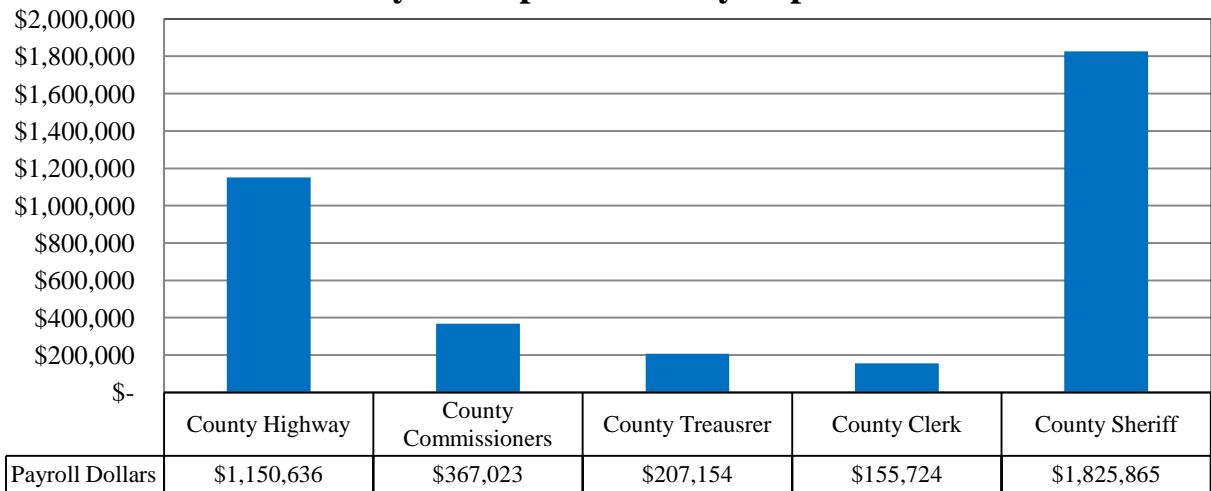
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$14,880,746	\$18,419,218	\$140,320,298	\$11,666,409	\$161,953,853	\$1,505,055,802
1/1/2011	\$14,907,490	\$20,328,810	\$134,912,413	\$11,285,553	\$158,863,160	\$1,464,517,728
1/1/2010	\$15,183,497	\$20,521,101	\$131,423,361	\$10,989,892	\$156,138,067	\$1,436,400,679
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



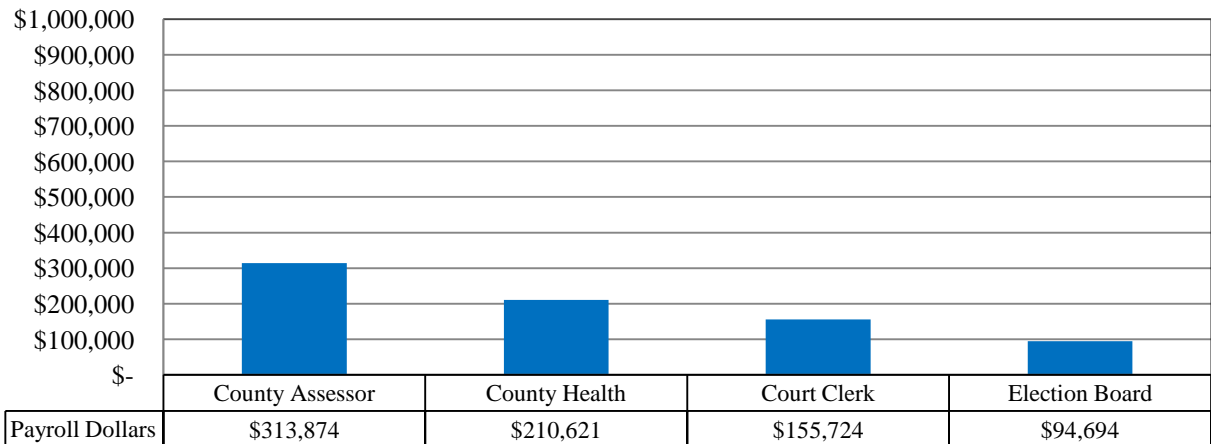
**SEQUOYAH COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



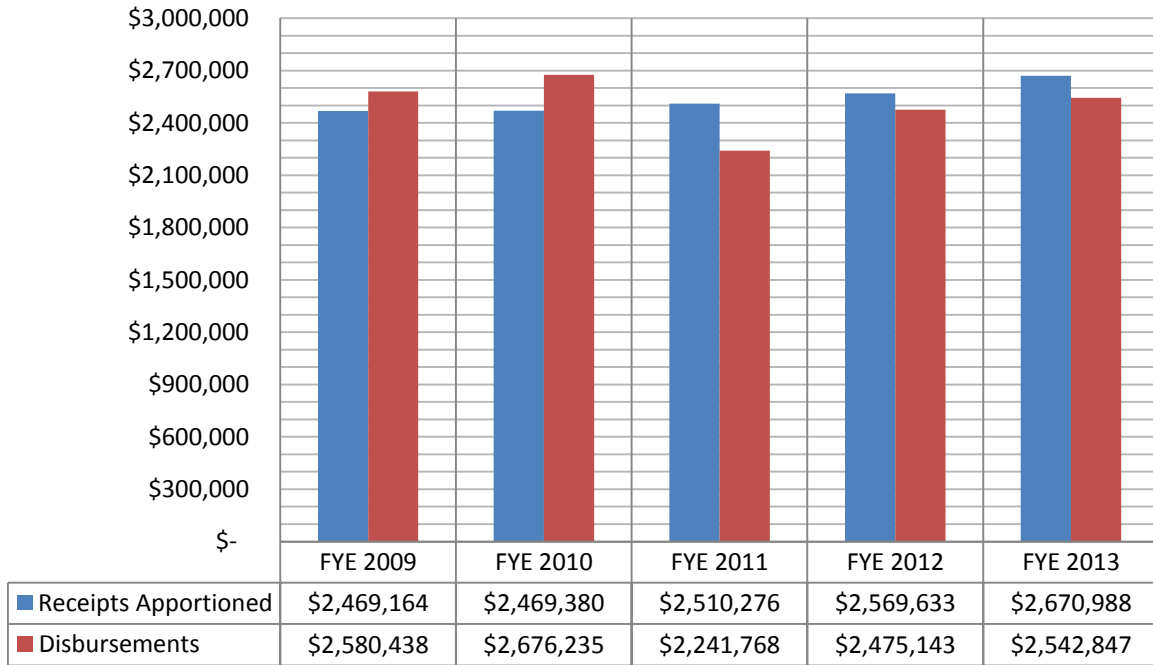
Payroll Expenditures by Department



**SEQUOYAH COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

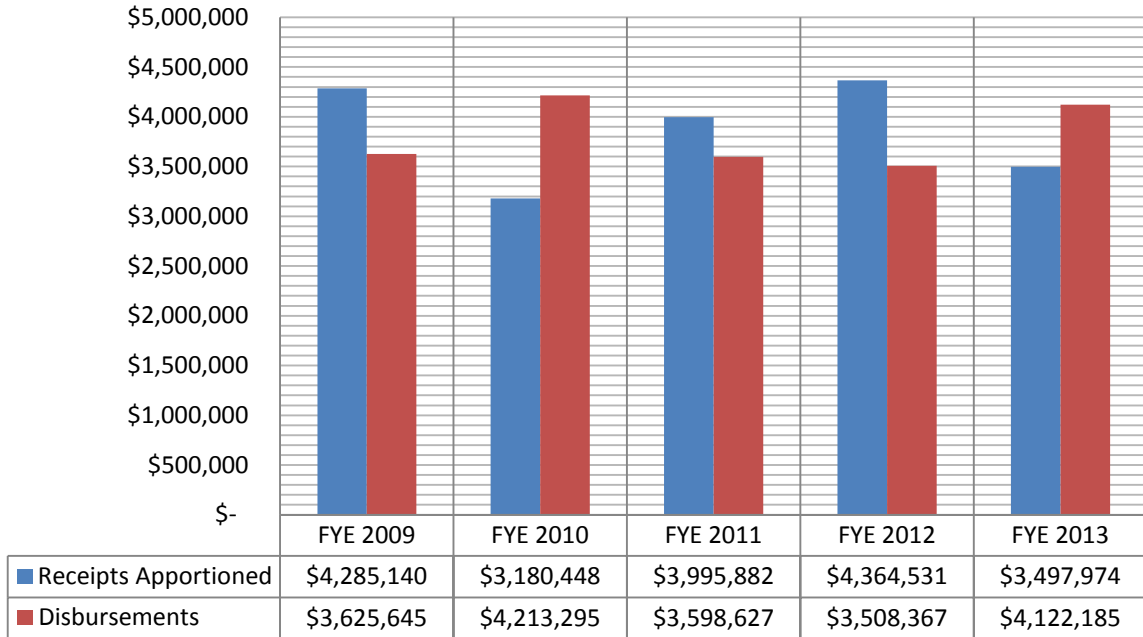
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Sequoyah County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Sequoyah County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, 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 subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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 in considering Sequoyah County's internal control over financial reporting and compliance.

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General	\$ 603,726	\$ 2,670,988	\$ 250,000	\$ 250,000	\$ 2,542,847	\$ 731,867
Highway Cash	2,776,225	3,497,974	250,000	250,000	4,122,185	2,152,014
County Health	447,095	415,345	-	-	338,529	523,911
Sales Tax Revolving Fund	1,254,148	1,232,530	-	-	973,264	1,513,414
Sheriff Service Fee	361,554	426,509	-	-	463,899	324,164
Resale Property	303,109	271,412	-	-	269,746	304,775
County Jail Sales Tax	350,854	1,673,130	-	-	1,736,228	287,756
Fire Department Sales Tax	1,060,020	618,440	-	-	561,430	1,117,030
Remaining Aggregate Funds	283,084	609,719	-	-	578,387	314,416
Combined Total - All County Funds	\$ 7,439,815	\$ 11,416,047	\$ 500,000	\$ 500,000	\$ 11,586,515	\$ 7,269,347

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, 2013**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

County General – accounts for 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.

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.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

A. Pension Plan

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

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 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.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 October 31, 2012, \$250,000 was transferred from Highway Cash to County General to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- On January 2, 2013, \$250,000 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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 603,725	\$ 603,726	\$ 1
Less: Prior Year Outstanding Warrants	(141,228)	(141,228)	-
Less: Prior Year Encumbrances	(711)	(693)	18
Beginning Cash Balances, Budgetary Basis	<u>461,786</u>	<u>461,805</u>	<u>19</u>
Receipts:			
Ad Valorem Taxes	1,493,314	1,643,360	150,046
Charges for Services	117,865	146,781	28,916
Intergovernmental Revenues	504,207	519,439	15,232
Miscellaneous Revenues	331,987	361,408	29,421
Total Receipts, Budgetary Basis	<u>2,447,373</u>	<u>2,670,988</u>	<u>223,615</u>
Expenditures:			
District Attorney	2,000	2,000	-
County Sheriff	345,169	343,760	1,409
County Treasurer	127,467	126,305	1,162
County Commissioners	421,209	180,999	240,210
OSU Extension	36,400	36,106	294
County Clerk	155,278	155,270	8
Court Clerk	167,687	167,687	-
County Assessor	59,133	59,133	-
Revaluation of Real Property	316,107	295,695	20,412
General Government	463,244	439,108	24,136
Excise-Equalization Board	2,700	1,442	1,258
County Election Board	122,763	118,760	4,003
Insurance	618,837	592,865	25,972
Civil Defense/Emergency Management	32,000	31,973	27
County Audit Budget Account	39,165	-	39,165
Total Expenditures, Budgetary Basis	<u>2,909,159</u>	<u>2,551,103</u>	<u>358,056</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	581,690	<u>\$ 581,690</u>
Operating Transfers:			
Operating Transfers In		250,000	
Operating Transfers Out		<u>(250,000)</u>	
Net Operating Transfers		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		126,813	
Add: Current Year Encumbrances		<u>23,364</u>	
Ending Cash Balance		<u>\$ 731,867</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, 2013**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 447,095	\$ 447,095	\$ -
Less: Prior Year Outstanding Warrants	(11,629)	(11,629)	-
Less: Prior Year Encumbrances	(16,792)	(13,122)	3,670
Beginning Cash Balances, Budgetary Basis	418,674	422,344	3,670
Receipts:			
Ad Valorem Taxes	374,051	411,618	37,567
Charges for services	-	3,610	3,610
Miscellaneous Revenues	3,610	117	(3,493)
Total Receipts, Budgetary Basis	377,661	415,345	37,684
Expenditures:			
Health and Welfare	796,335	442,690	353,645
Total Expenditures, Budgetary Basis	796,335	442,690	353,645
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	394,999	\$ 394,999
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		127,311	
Add: Current Year Outstanding Warrants		1,601	
Ending Cash Balance		\$ 523,911	

SEQOUIAH COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning		Ending	
	Cash Balances	Receipts	Disbursements	Cash Balances
	<u>July 1, 2012</u>	<u>Apportioned</u>	<u>Disbursements</u>	<u>June 30, 2013</u>
Remaining Aggregate Funds:				
Assessor Fee Revolving	\$ 1,689	\$ 1,539	\$ 889	\$ 2,339
Assessor Visual Inspection	1,111	1,643	-	2,754
Community Service Sentencing Program	106,257	66,328	76,612	95,973
County Clerk Lien Fee	719	14,792	11,649	3,862
County Clerk Preservation Fee	14,910	41,224	47,500	8,634
Civil Defense "Emergency Management"	37,636	80,121	80,496	37,261
Mortgage Certification Fee	90,382	6,850	-	97,232
Sheriff D.A.R.E.	12,985	103,202	91,990	24,197
Sheriff Training Fund	5,237	10,881	7,936	8,182
Sheriff - Courthouse Security	-	10,125	-	10,125
Lake Patrol	3,504	6,644	5,502	4,646
Sheriff Drug Fund	4,005	-	2,683	1,322
Trash Cop	893	100	543	450
CDBG Grant	-	246,900	246,900	-
EMPG Grant	-	2,500	-	2,500
EMPG/SLA "Special"	-	10,000	-	10,000
Hazard Mitigation	-	3,000	-	3,000
Sequoyah County Fair Board	430	3,870	4,120	180
HMEP Planning Grant	166	-	-	166
Bureau of Justice Grant	1,489	-	228	1,261
Local Law Enforcement Grant	856	-	542	314
Sheriff Equipment	16	-	16	-
Sheriff STOP Grant	781	-	781	-
CDBG 14 Flags Museum	18	-	-	18
Combined Total - Remaining Aggregate Funds	\$ 283,084	\$ 609,719	\$ 578,387	\$ 314,416

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. Budgetary Schedules

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

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, 2013**

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.

Sheriff – Courthouse Security – accounts for the collection of fees from court cost. Disbursements are for surveillance equipment and any other courthouse security measures.

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.

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

EMPG/SLA “Special” – accounts for federal funds for the purpose of the County’s emergency management program’s building improvements.

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

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.

**SEQUOYAH COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

TO THE OFFICERS OF
SEQUOYAH COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Sequoyah County's 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 included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-5, 2013-6, and 2013-7.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-11, 2013-15, and 2013-26.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequoyah County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-7.

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

Sequoyah County's Responses to Findings

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

Purpose of this Report

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

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



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, 2013**

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 2013-1 – 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, 2013**

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 2013-5 – 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 2013-6 – 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, 2013**

- 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, 2013**

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 2013-7 – Inadequate Internal Controls and Noncompliance Over Purchasing (Repeat Finding)

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

- Ten were not timely encumbered.
- One was not approved by Board of County Commissioners.

Additionally, we reviewed the bids for thirteen expenditures, noting seven 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 and all should be approved by the Board of County Commissioners. Bids should be solicited as required by statute with specifications that would allow all vendors to competitively bid.

Management Response:

County Clerk: I would like to note that my term of office began January 2, 2013, well after these discrepancies occurred. We will send a memo reminding all requisitioning officers that they must encumber before they purchase. This (warrant #614) was just a mistake. It must have been clipped behind another PO when it went through the meeting. We have also starting getting telephone quotes for our fuel purchases.

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, 2013**

Finding 2013-11 – Reconciliation of the Appropriation Ledger to General Ledger (Repeat Finding)

Condition: Based on our documentation of controls and testwork, 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 2013-15 – Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute

Condition: At June 30, 2013, the County's deposits were not secured by pledged collateral at a local bank in the amount of \$14,378.02.

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, 2013**

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.”

Finding 2013-26 – Unauthorized Use of Restricted Monies Held in District Court Cases – Court Clerk

Condition: While reviewing the reconciliation report for the District Court Case Balance Summary Report, we noted the following:

- The Court Clerk’s total District Court case balance was \$150,000 more than the actual amount deposited in the Official Depository account at June 30, 2013.
- Restricted funds totaling \$150,000 were dispersed from the District Court case balances without approval.
- Court Clerk’s investment of \$150,000 was liquidated by the County Treasurer whom obtained cashier’s checks to expend the funds without going through the expenditure process.

OSAI noted that the Court Clerk had an investment at a local bank of which the monies invested were part of the District Court case balances. On December 10, 2012, the County Treasurer obtained two (2) cashier’s checks, \$75,000 each, liquidating the Court Clerk’s \$150,000 investment. The cashier’s checks were issued to a land title company for the purchase property adjoining the courthouse property. The purchase of the property was approved by the Board of County Commissioners at November 26, 2012 regular board meeting.

There is no signed agreement, but the County is paying the money back to the Court Clerk. On July 7, 2014, a warrant was issued to the Court Clerk from the General Fund, R-3 account, in the amount of \$12,500 for repayment of funds.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Management has not implemented procedures that will ensure that the restricted funds held in the District Court case balances are disbursed in accordance with Court orders.

Effect of Condition: This condition appears to have resulted in the misappropriations of restricted monies deposited in court cases filed in District Court.

Recommendation: OSAI recommends the Court Clerk only disburse monies held in the District Court case balances in accordance with Court orders or the transfer of fees in accordance with state statutes. Also, we recommend that the Court Clerk be able to identify all monies that are invested from cases and be able to account for those monies. Additionally, expenditures should only be made by going through the proper purchasing process.

Furthermore, OSAI recommends the Board of County Commissioners contact the District Attorney to determine the immediate resolution for repaying the monies inappropriately expended from the District Court cases.

Management Response:

Court Clerk, Chairman Board of County Commissioners, and County Treasurer: All information in question was presented to the District Attorney's office for review and approval. Upon approval of the District Attorney a purchase agreement contract was submitted for approval by the Board of County Commissioners.

On November 26, 2012 at the regular scheduled Board of County Commissioners meeting, Assistant District Attorney reviewed the contract and informed the Board the \$150,000 should be paid back within 3 years.

As of to date \$12,500 has been paid and \$62,500 appropriated from the 2014-15 budget.

We feel that protocol was followed in accordance to advice given by our legal counsel.

Auditor Response: OSAI finds no authority that allows the Court Clerk to expend or loan restricted monies held in District Court case balances without a court order. Also, we find no authority that allows the County to expend funds using a cashier's check. Additionally, an authorized loan can only be made with the Excise Board's approval and it has to be paid back within the fiscal year it is made.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the Court Clerk Official Depository Account, Court Clerk, shall reconcile to the County Treasurer's Official Depository balance.

Additionally, an 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.

**SEQUOYAH COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
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Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, equipment and capital expenditures.

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

Finding 2013-18 – 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 produce 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.

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 Checking Account.

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.

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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.

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

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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.

Finding 2013-21 – Consumable Inventory – County Commissioner District 1

Condition: During our examination of consumable inventory at County Commissioner District 1 barn, we noted that the fuel on hand did not agree to the fuel records maintained by the District. The following schedule reflects the variances noted:

Type of Consumable	Actual Fuel on Hand	Fuel Records	Variance
Gasoline	402.95	512.54	-109.99 gallons
Diesel	493.95	1852	-1,358.05 gallons

Cause of Condition: Procedures have not been implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions resulted in inaccurate records and could result in unauthorized use of consumable inventories, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

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- Performing and documenting a periodic physical count of inventory.
- Separating the key functions of receiving, maintaining and verifying consumable inventories.
- Maintaining a fuel log with all pertinent information and with a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:

County Commissioner District 1: Getting with guys to make sure they are logging fuel and other consumables in and out daily.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



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