



# CHEROKEE COUNTY

## Financial Report

For the fiscal year ended June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**CHEROKEE COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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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](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



March 11, 2024

TO THE CITIZENS OF  
CHEROKEE COUNTY, OKLAHOMA

Transmitted herewith is the audit of Cherokee County, Oklahoma for the fiscal year ended June 30, 2021. 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.

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

Sincerely,

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**CHEROKEE COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Board of County Commissioners**

District 1 – Doug Hubbard

District 2 – Chris Jenkins

District 3 – Clif Hall

**County Assessor**

Marsha Trammel

**County Clerk**

Cheryl Trammel

**County Sheriff**

Jason Chenault

**County Treasurer**

Patsy Stafford

**Court Clerk**

Lesa Rousey Daniels

**District Attorney**

Jack Thorp

**CHEROKEE COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
CHEROKEE COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on 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 from material misstatement.

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

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



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

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

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Cherokee County as of June 30, 2021, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Cherokee County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024, on our consideration of Cherokee County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

March 5, 2024

**REGULATORY BASIS FINANCIAL STATEMENT**

**CHEROKEE COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General	\$ 1,052,155	\$ 3,807,544	\$ 573,788	\$ 482,943	\$ 3,836,357	\$ 1,114,187
County Highway Unrestricted	3,060,968	3,647,432	410,000	447,078	3,109,291	3,562,031
Health	608,176	359,273	-	-	222,335	745,114
General Gov't-ST	502,940	1,200,859	-	26,035	851,280	826,484
Road and Bridges-ST	1,324,348	2,411,599	-	-	2,146,973	1,588,974
Jail-ST	171,738	2,411,573	-	-	2,358,354	224,957
Sheriff-ST	332,724	728,472	-	18,151	483,460	559,585
Grant Matching-ST	1,477,197	688,515	-	-	489,545	1,676,167
Rural Fire-ST	1,535,479	1,232,260	-	-	842,172	1,925,567
Use Tax-ST	2,135,521	1,274,061	665,408	403,404	497,407	3,174,179
County Bridge and Road Improvement	1,254,622	495,566	-	-	637,440	1,112,748
911 Phone Fees	390,591	498,851	-	-	450,699	438,743
Flood Plain	6,285	6,725	-	-	6,168	6,842
Sheriff Training	56,345	-	-	-	34,059	22,286
Community Service Sentencing Program	39,057	40,334	-	1,672	52,374	25,345
Solid Waste Management	107,065	353,060	-	17,448	300,215	142,462
Sheriff Forfeiture	10,835	972	-	-	8,320	3,487
County Clerk Records Management and Preservation	203,351	107,125	-	-	71,256	239,220
Local Emergency Planning Committee	1,200	1,000	-	-	-	2,200
Sheriff Drug Buy	3,852	-	-	-	1,300	2,552
Health Cash	100	-	-	-	-	100
Resale Property	740,000	443,904	-	-	311,803	872,101
Treasurer Mortgage Certification	30,371	10,230	-	-	18,597	22,004
Sheriff Service Fee	151,929	253,257	20,000	-	190,357	234,829
County Clerk Lien Fee	34,684	21,393	-	-	29,504	26,573
County Treasurer Cash	500	115	-	-	-	615
County Assessor Cash	6	-	-	-	-	6
Assessor Revolving Fee	13,442	2,252	-	-	6,533	9,161
Rental of County Property	1,433	7,951	-	-	4,842	4,542
Rural Economic Plan Revolving Fund	-	146,000	-	50,000	96,000	-
County Donations	45,000	402,595	-	-	185,448	262,147
COVID Aid and Relief	-	2,356,164	-	182,465	99,497	2,074,202
<b>Total - All County Funds, as Restated</b>	<b>\$ 15,291,914</b>	<b>\$ 22,909,082</b>	<b>\$ 1,669,196</b>	<b>\$ 1,629,196</b>	<b>\$ 17,341,586</b>	<b>\$ 20,899,410</b>

The notes to the financial statement are an integral part of this statement.

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Cherokee 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 within the financial statement:

County General – accounts for the general operations of the government.

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

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

General Gov't-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Road and Bridges-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Jail-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Sheriff-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Grant Matching-ST – accounts for the collection of sales tax revenue and the disbursements of funds, as restricted by the sales tax ballot.

Rural Fire-ST – accounts for sales tax monies collected for the funding of fourteen fire districts within Cherokee County. Disbursements are for the fire protection of Cherokee County.

Use Tax-ST – accounts for the collection of use tax remitted to the County by the Oklahoma Tax Commission and disbursements are for any function of county government, as designated by the County Commissioners.

County Bridge and Road Improvement – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

911 Phone Fees – accounts for the collection of fees imposed on wireless users within the County for the operation of the Emergency 911 service.

Flood Plain – accounts for revenues from fees paid to the County Clerk when a piece of property sells to determine if the property is in a flood plain and disbursements are for payroll of employees issuing permits.

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements for the training of Sheriff’s deputies.

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

Solid Waste Management – accounts for revenue from solid waste fees from three transfer stations and disbursements are for fees and employee payroll.

Sheriff Forfeiture – accounts for monies received from forfeited drug cases and disbursed for the operation of the Sheriff’s Drug Task Force to enforce controlled and dangerous substances laws.

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by state statute for preservation of records.

Local Emergency Planning Committee – accounts for grant monies received and the disbursement of funds for emergency planning, training, and equipment.

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Sheriff Drug Buy – accounts for revenues from seized property forfeited to the Sheriff’s office and disbursements are for the enforcement of state statutes.

Health Cash – accounts for the Health Department’s change fund.

Resale Property – accounts for the collection of interest and penalties on delinquent ad valorem tax collections. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Treasurer Mortgage Certification – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by state statute.

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as process fees, courthouse security, contracts for housing and feeding prisoners and disbursements as restricted by state statute.

County Clerk Lien Fee – accounts for lien collections and disbursements, as restricted by state statute.

County Treasurer Cash – accounts for the County Treasurer’s office change fund.

County Assessor Cash – accounts for the County Assessor’s office change fund.

Assessor Revolving Fee – accounts for the collection and expenditure of fees collected by the County Assessor as restricted by state statute for the visual inspection program.

Rental of County Property – accounts for revenue from the rental of the Keys Community Building and fairgrounds. Disbursements are for maintenance and operation of the buildings.

Rural Economic Action Plan Revolving Fund – accounts for revenues from state funds and disbursements are for the purchase equipment for special projects.

County Donations – accounts for the collection of donations and disbursement of funds as specified by the approved Board of County Commissioners’ resolution.

COVID Aid and Relief – accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures. Disbursements are for any lawful purpose of the County as directed by Board of County Commissioners’ resolution.

**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

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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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 allows 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, which specifies the format and presentation of such regulatory basis financial statements: 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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**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 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



**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

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

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

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

**3. Other Information**

**A. Pension Plan**

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

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

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**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; however, 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**

**Sales Tax of September 15, 1998**

On September 15, 1998, the voters of Cherokee County approved a one-quarter percent (1/4%) sales tax designated for the purpose of providing funding for the fire departments in the following communities: Chicken Creek, Cookson, Gideon, Hulbert, Illinois River, Keys, Lowery, Norwood, Peggs, Sparrow Hawk, Spring Valley, Tahlequah, Welling, and Woodall or others hereinafter established, for such fire protection as may be deemed necessary by the Board of County Commissioners. There is no expiration date on this sales tax. These funds are accounted for in the Rural Fire-ST fund.

**Sales Tax of February 24, 2004**

On February 24, 2004, the voters of Cherokee County approved a three-fourth of one percent (3/4%) sales tax. This sales tax is to be used solely to pay for acquiring, constructing, equipping, operating, and maintaining new county jail facilities and parking facilities on behalf of the County by the Cherokee County Governmental Building Authority, providing one-half of one percent (1/2%) shall be levied until repealed by a majority of the voters of Cherokee County and providing that the remaining one-fourth of one percent (1/4%) for the indebtedness of the Cherokee County Governmental Building Authority. This one-fourth of one percent (1/4%) shall expire when the indebtedness is paid or by June 30, 2014, whichever comes first. These funds are accounted for in the Jail-ST fund.

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Sales Tax of April 1, 2008**

On April 1, 2008, the voters of Cherokee County approved a continuation of a one percent (1%) sales tax. The proceeds of the tax are used as follows: 50% for county roads, 15% for law enforcement, 25% for general county operations, including extension services and 4-H clubs, and 10% for grant matching funds, and provided further that said sales tax shall become effective January 1, 2009 and shall be levied on a permanent basis or until repealed by a majority of electors of Cherokee County in an election called for that purpose. These funds are accounted for in the Road and Bridges-ST, General Gov't-ST, Sheriff-ST, and Grant Matching-ST funds.

**E. Interfund Transfers**

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

- \$400,000 was transferred from the Use Tax-ST fund to the County General fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$400,000 was transferred from the County General fund to the Use Tax-ST fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$173,788 was transferred from the following funds to the County General fund for reimbursement of workers compensation insurance premiums:
  - \$17,448 from the Solid Waste Management.
  - \$3,404 from the Use Tax-ST.
  - \$1,672 from the Community Service Sentencing Program.
  - \$127,078 from the County Highway Unrestricted.
  - \$6,035 from the General Gov't-ST.
  - \$18,151 from the Sheriff-ST.
- \$82,943 was transferred from the County General fund to the Use Tax-ST fund for reimbursement of workers compensation premiums.
- \$360,000 was transferred from the Emergency and Transportation Revolving Fund (a trust and agency fund) to the County Highway Unrestricted fund as a loan used for bridge and road projects in the County.
- \$320,000 was transferred from the County Highway Unrestricted fund to the Emergency and Transportation Revolving Fund (a trust and agency fund) for repayment of a loan used for bridge and road projects in the County.
- \$50,000 was transferred from the Rural Economic Plan Revolving Fund to the County Highway Unrestricted fund for road projects in the County.
- \$20,000 was transferred to the Sheriff Service Fee fund from the General Gov't-ST fund for additional appropriations.
- \$182,465 was transferred from the COVID Aid and Relief fund to the Use Tax-ST fund for reimbursement of COVID related expenses per BOCC resolution.

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**F. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of the Mental Health Court fund was reclassified as a trust and agency fund.

Prior year ending balance, as reported	\$15,386,644
Fund reclassified as Trust and Agency Fund: Mental Health Court	(94,730)
Correction to Fund Balances:	
Community Service Sentencing Program	3,499
Sheriff Service Fee	<u>(3,499)</u>
Prior year ending balance, as restated	<u>\$15,291,914</u>

**SUPPLEMENTARY INFORMATION**

**CHEROKEE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 1,111,860	\$ 1,071,709	\$ 40,151
County Treasurer	224,559	169,507	55,052
County Commissioners	1,072,616	824,234	248,382
County Clerk	439,943	380,187	59,756
Court Clerk	561,763	538,192	23,571
County Assessor	172,617	110,566	62,051
Revaluation of Real Property	510,103	472,465	37,638
Excise - Equalization Board	13,250	7,470	5,780
County Election Expense	211,592	191,832	19,760
County Audit Budget Account	57,051	45,177	11,874
Total Expenditures, Budgetary Basis	\$ 4,375,354	\$ 3,811,339	\$ 564,015

**CHEROKEE COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 878,781	\$ 372,392	\$ 506,389
Total Expenditures, Budgetary Basis	\$ 878,781	\$ 372,392	\$ 506,389

**CHEROKEE COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents 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 Statement of Receipts, Disbursements, and Changes in Cash Balances 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.



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Passed Through Oklahoma State Treasurer:			
Flood Control Projects	12.106	N/A	\$ 111,155
Total U.S. Department of Defense			<u>111,155</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	96,994
Total U.S. Department of Interior			<u>96,994</u>
<b>U.S. DEPARTMENT OF TREASURY</b>			
Passed Through the Oklahoma Office of Management and Enterprise Services:			
COVID-19 Coronavirus Relief Fund	21.019	SA-0257	2,356,164
Total U.S. Department of Treasury			<u>2,356,164</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,564,313</u></u>

**CHEROKEE COUNTY, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Basis of Presentation

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

Indirect Cost Rate

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

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 27, 2020, the President of the United States signed the COVID-19 Relief Bill into law. Cherokee County received \$2,356,164 in federal relief funds. The County incurred \$999,154 in eligible expenditures in the prior year ending June 30, 2020. These eligible expenditures were from March 16, 2020, through June 30, 2020, and accounted for in the County's June 30, 2020, financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listing Number (ALN) 21.019 – Coronavirus Relief Fund includes \$999,154 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures totaling \$1,354,162 that were incurred in the fiscal year ending June 30, 2021. There was an additional \$2,848 in expenditures that were not supported with documentation to show dates and/or if eligible expenditures.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



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

TO THE OFFICERS OF  
CHEROKEE COUNTY, OKLAHOMA

We have audited, 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, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Cherokee County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Cherokee County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 5, 2024.

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 as of and for the year ended June 30, 2021, 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 Cherokee County's internal control over financial reporting (internal control) as a basis for designing 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 Cherokee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cherokee County's internal control.

*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. *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.

Our consideration of internal control was for the limited purpose described in the first 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2021-001 and 2021-007.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cherokee 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 financial statement. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Cherokee County's Response to Findings**

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

### **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 results 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.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

March 5, 2024



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

TO THE OFFICERS OF  
CHEROKEE COUNTY, OKLAHOMA

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Cherokee County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Cherokee County's major federal program for the year ended June 30, 2021. Cherokee County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Basis for Qualified Opinion on Assistance Listing Number 21.019 – Coronavirus Relief Fund**

As described in Finding 2021-011 in the accompanying schedule of findings and questioned costs, Cherokee County did not comply with requirements regarding the following:

Assistance			
Finding #	Listing	Program (or Cluster) Name	Compliance Requirement
2021-011	21.019	Coronavirus Relief Fund	Activities Allowed or Unallowed or: Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for Cherokee County to comply with the requirements applicable to that program.

### Qualified Opinion on Assistance Listing Number 21.019 – Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on ALN 21.019 – Coronavirus Relief Fund for the year ended June 30, 2021.

### Other Matters

Cherokee County’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cherokee County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain



deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-008, 2021-009, and 2021-010, that we consider to be material weaknesses.

**Cherokee County’s Response to Findings**

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

March 5, 2024

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION 1—Summary of Auditor’s Results**

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to the financial statement noted? ..... No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? ..... Yes

Identification of Major Programs

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$750,000

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

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2021-001 – Lack of County–Wide Internal Controls (Repeat Finding - 2008-003, 2009-002, 2010-002, 2011-002, 2012-001, 2013-001, 2014-001, 2017-001, 2018-001, 2019-001, 2020-001)**

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

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

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

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

**Management Response:**

**Chairman of the Board of County Commissioners and County Treasurer:** Through the process of gaining and understanding the County’s internal control structure, the County Clerk’s office has drafted and implemented a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively with a County-Wide internal control for Risk Assessment and Monitoring Handbook. Assessments from each department will be turned in on an annual basis, and quarterly meetings will be conducted to review internal controls.

**County Clerk:** We have drafted and printed the Internal Controls Handbook and delivered it to each office. We are waiting on their reply before we can complete it and get it approved in a Board of County Commissioners meeting. We will be more diligent in having our quarterly meetings.

**Criteria:** The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The GAO Standards – Section 1 – Fundamental Concepts of Internal Controls – OV1.01 states in part:

*Definition of Internal Controls*

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

*Components, Principles, and Attributes*

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

**Finding 2021-007 – Lack of Internal Controls Over Presentation of Financial Statement (Repeat Finding - 2019-009, 2020-006)**

**Condition:** The County has not designed and implemented internal controls to ensure the accurate presentation of the County’s financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the beginning cash balances, receipts apportioned, transfers in, and transfers out, disbursements, and ending cash balances were misstated as shown below:

	<b>Beginning Cash Balance July 1, 2020</b>	<b>Receipts Apportioned</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Disbursements</b>	<b>Ending Cash Balance June 30, 2021</b>
Initial	\$15,386,644	\$20,563,637	\$1,722,378	\$1,507,430	\$17,247,983	\$18,917,245
Amended	15,291,913	22,909,083	1,669,196	1,629,196	17,341,586	20,899,410
Variance	\$ 94,730	(\$ 2,345,445)	\$ 53,181	(\$ 121,766)	(\$ 93,602)	(\$ 1,982,164)

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that the County’s financial statement is accurately presented.

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Effect of Condition:** This condition resulted in the County's financial statement being materially misstated.

**Recommendation:** OSAI recommends the County design and implement procedures to ensure the cash receipts and cash disbursements are reported accurately on the financial statement.

**Management Response:**

**County Treasurer:** Per OSAI recommendations, I will implement procedures to ensure the cash receipts and cash disbursements are reported accurately on the financial statements. As I was not Treasurer for most of this time period, I will do my best to implement the proposed adjustments and error corrections that were discussed as corrections to the financial statements prior to my taking office.

**Criteria:** The GAO Standards – Principle 14 – Communicate Internally – 14.01 states in part:

Management should internally communicate the necessary quality information to achieve the entity's objectives.

Additionally, Principle 14 – Communication throughout the Entity states:

14.02 – Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity.

14.04 – Management receives quality information about the entity's operational processes that flows up the reporting lines from personnel to help management achieve the entity's objectives.

Additionally, Principle 16 – Perform Monitoring Activities states in part:

16.05 – Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Additionally, GAO Standards – Section 2 – Objectives of an Entity – OV2.21 states in part:

*Reporting Objectives*

Reporting objectives relate to the preparation of reports for use by the entity, its stakeholders, or other external parties. Objectives related to gathering and communication information needed by management to support decision making and evaluation of the entity's performance.

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Additionally, the limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part:

*Agreement of the Responsibilities of Management*

“The concept of an independent audit required that the auditor’s role does not involve assuming management’s responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity’s related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit.”

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

**Finding 2021-008 – Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards (SEFA) (Repeat Finding - 2018-012, 2017-012)**

**PASS THROUGH GRANTOR:** Oklahoma Office of Management and Enterprise Services

**FEDERAL AGENCY:** U.S. Department of Treasury

**ASSISTANCE LISTING:** 21.019

**FEDERAL PROGRAM NAME:** Coronavirus Relief Fund

**FEDERAL AWARD YEAR:** 2020

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance

**QUESTIONED COSTS:** \$-0-

**Condition:** Total federal expenditures on the SEFA were understated by (\$1,714,558):

- Expenditures reported on the SEFA for ALN 15.226 Payments in Lieu of Taxes (PILT) were \$191,904. Actual federal expenditures obtained from the County’s records confirm \$96,994 expended for an overstated variance of \$94,910.
- Expenditures reported on the SEFA for ALN 21.019 Coronavirus Relief Fund were \$546,696. Actual federal expenditures obtained from the County’s records confirm \$2,356,164 expended for an understated variance of (\$1,809,468).

**Cause of Condition:** Internal controls over the SEFA have not been designed and implemented to ensure accurate reporting of expenditures of federal awards.

**Effect of Condition:** This condition resulted in erroneous reporting and a material misstatement of the County’s SEFA and could increase the potential for material noncompliance.

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**Management Response:**

**Chairman of the Board of County Commissioners:** We do review and compile an annual SEFA report. The payment in lieu of taxes were left on report from previous year and had already been disbursed out in previous year-overstating the 2021 SEFA Report. We will review and gain an understanding of federal programs awarded to Cherokee County. Internal control procedures will be designed and implemented to ensure accurate reporting of expenditures on the SEFA report to ensure compliance with federal requirements. We did not realize that since Coronavirus State and Local Fiscal Recovery Fund was a reimbursement and should be receipted and expended in the same year-we noted funds actually spent in this fiscal year. We will be watching for classes on the SEFA report and plan to attend the next classes to ensure compliance with federal requirements.

**County Clerk:** The County reviews and compiles an annual SEFA Report. The payment in lieu of taxes was left on the report from previous year and had already been disbursed out in previous year-overstating the 2021 SEFA Report. We will review and gain understanding of the federal programs awarded to Cherokee County. Internal control procedures will be designed and implemented to ensure accurate reporting and expenditures of the SEFA Report to ensure compliance with federal requirements. The County did not realize that since Coronavirus State and Local Fiscal Recovery Fund was a reimbursement and should be receipted and expended in the same year-we noted funds actually spent in this fiscal year. We will be watching for classes on the SEFA Report and pant to attend the next classes to ensure compliance with the federal requirements.

**Criteria:** GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

*Compliance Objective*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, Title 2 *CFR 200 § 200.303(a) Internal Controls* reads as follows:

The non-Federal entity must:

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

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Title 2 *CFR* 200 § 200.508(b) *Auditee Responsibilities* reads as follows:

Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial Statements.

Title 2 *CFR* 200 § 200.510(a)(b) *Financial Statements* reads as follows:

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

**Finding 2021-009 – Lack of County-Wide Controls Over Major Federal Programs – Coronavirus Relief Fund**

**PASS THROUGH GRANTOR:** Office of Management and Enterprise Services

**FEDERAL AGENCY:** U.S. Department of the Treasury

**ASSISTANCE LISTING:** 21.019

**FEDERAL PROGRAM NAME:** Coronavirus Relief Fund

**FEDERAL AWARD NUMBER:** SA-0257

**FEDERAL AWARD YEAR:** 2020

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance

**QUESTIONED COSTS:** \$-0-

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

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County complies with grant requirements.

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

**Recommendation:** OSAI recommends that the County design and implement a system of internal controls to ensure compliance with grant agreements.

**Management Response:**

**Chairman of the Board of County Commissioners:** For the Coronavirus Relief Fund-regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring-we worked closely with our Local Accountant, ACCO (Association of County Commissioners of Oklahoma) and NACo (National Association of Counties) on how to file for the Coronavirus funds. Cherokee County will implement a system of internal controls to ensure compliance with grant requirements in the future.

**County Clerk:** For the Coronavirus Relief Fund-regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring-we worked closely with our Local Accountant, ACCO



**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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(Association of County Commissioners of Oklahoma) and NACo (National Association of Counties) on how to file for the Coronavirus funds. Cherokee County will implement a system of internal controls to ensure compliance with grant requirements in the future.

**Criteria:** The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

*Definition of Internal Control*

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

*Components, Principles, and Attributes*

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

**Finding 2021-010 – Lack of Internal Controls Over Major Federal Programs – Coronavirus Relief Fund**

**PASS THROUGH GRANTOR:** Oklahoma Office of Management and Enterprise Services

**FEDERAL AGENCY:** U.S. Department of the Treasury

**ASSISTANCE LISTING:** 21.019

**FEDERAL PROGRAM NAME:** Coronavirus Relief Fund

**FEDERAL AWARD NUMBER:** SA-0257

**FEDERAL AWARD YEAR:** 2020

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Performance

**QUESTIONED COSTS:** \$-0-

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Condition:** During the process of documenting the County’s internal controls regarding federal disbursements, we noted that Cherokee County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance.

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

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

**Recommendation:** OSAI recommends that the County gain an understanding of requirements for this program and implement a system of internal control procedures to ensure compliance with grant requirements.

**Management Response:**

**District 1, District 2 and District 3 County Commissioners:** For the Coronavirus Relief Fund-regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring-we worked closely with our Local Accountant, ACCO (Association of County Commissioners of Oklahoma) and NACo (National Association of Counties) on how to file for the Coronavirus funds. Cherokee County will implement a system of internal controls to ensure compliance with grant requirements in the future.

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

The non-Federal entity must:

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

**Finding 2021-011 – Noncompliance Over Major Federal Program – Coronavirus Relief Fund – Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**PASS-THROUGH GRANTOR:** Oklahoma Office of Management and Enterprise Services

**FEDERAL AGENCY:** U.S. Department of Treasury

**ASSISTANCE LISTING:** 21.019

**FEDERAL PROGRAM NAME:** Coronavirus Relief Fund

**FEDERAL AWARD NUMBER:** SA-0257

**FEDERAL AWARD YEAR:** 2020

**CONTROL CATEGORY:** Activities Allowed or Unallowed and Allowable Costs/Cost Principles

**QUESTIONED COSTS:** \$224,696

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Condition:** During the test of 100% of federal expenditures for Coronavirus Relief Fund, program disbursement totaling \$224,696 were not expended in accordance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles due to unsubstantiated, duplicated, and ineligible costs as detailed below:

Payroll Reimbursements

- Unallowable reimbursements totaling \$81,425 for a COVID Employee Recognition Program.
- Reimbursed payroll expenditures totaling \$40,456 were not supported with adequate documentation.
- Reimbursed payroll expenditures totaling \$12,959 that exceeded the actual payroll amount.
- Sick leave totaling \$3,961 for a county official.
- Duplicate payroll reimbursements totaling \$3,961.

Expenditure Reimbursements

- Reimbursements totaling \$60,283 for digging graves.
- Reimbursements totaling \$12,225 for lost rental income.
- Duplicate reimbursement totaling \$6,077 for vendor payments.
- Reimbursements totaling \$2,848 were not supported with adequate documentation.
- Reimbursements totaling \$501 that exceed the purchase order amount.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with federal grant requirements.

**Effect of Condition:** This condition resulted in noncompliance with federal grant requirements for this program and could result in loss of federal funds.

**Recommendation:** OSAI recommends the County gain an understanding of the requirements for this program and design and implement policies and procedures to ensure compliance with these requirements.

**Management Response:**

**Chairman of the Board of County Commissioners and County Clerk:** For the Coronavirus Relief Fund-regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring-we worked closely with our Local Accountant, ACCO (Association of County Commissioners of Oklahoma) and NACo (National Association of Counties) on how to file for the Coronavirus funds. Cherokee County will implement a system of internal controls to ensure compliance with grant requirements in the future.

**Criteria:** *2 CFR § 200.303 Internal Controls (a)* states in part:

The Non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the

**CHEROKEE COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Additionally, 2 CFR § 200.403 - *Factors affecting allowability costs* states in part, “Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards”:

(g) Be adequately documented.

The Department of the Treasury Federal Register, Vol. 86, No. 10 states, “Fund payments may not be used for expenses that have been or will be reimbursed by another federal program.”

Additionally, guidance provided in the Subrecipient Agreement - *Federal Funding Certification* executed 6/3/20 between Cherokee County and the State of Oklahoma states in part:

4. Funds provided as direct payment from the State of Oklahoma pursuant to this certification for necessary expenditures that were or will be incurred during the period that begins on March 1, 2020, and ending on December 30, 2020, that are not expended on those necessary expenditures on or before March 31, 2021, by the political subdivision or its grantee(s), must be returned to the State of Oklahoma on or before April 1, 2021.

5. Funds provided as a direct payment from the State of Oklahoma pursuant to this certification must adhere to official federal guidance issued or to be issued on what constitutes a necessary expenditure. Any funds expended by a political subdivision or its grantee(s) in any manner that does not adhere to official federal guidance or in violation of this certification shall be returned to the State of Oklahoma Coronavirus Relief Fund.

6. Any local government entity receiving funds pursuant to this certification shall retain documentation of all uses of the funds.

8. Any funds provided pursuant to this certification cannot be used as a revenue replacement for lower-than-expected tax or other revenue collections.

10. I acknowledge and certify that Recipient has not received, and will not apply for, federal funds from any other source, to reimburse it for the expenditures for which funds are sought pursuant hereto.

**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

No matters were reported.

**APPENDIX A**

**CORRECTIVE ACTION PLAN**

**(Prepared by County Management)**

*Board of County Commissioners  
Cherokee County  
213 W Delaware Rm 202  
Tahlequah, OK 74464  
Phone: 918-456-4121 Fax: 918-458-6586*

**BOBBY WHITEWATER  
DISTRICT # 1**

**CHRIS JENKINS  
DISTRICT # 2**

**CLIF HALL  
DISTRICT #3**

**Corrective Action Plan  
in accordance with 2 CFR § 200.511c  
for the fiscal year ended June 30, 2021**

<b>Finding No.</b>	<b>Title (Financial) or Assistance Listing No. (formerly CFDA No.) &amp; Program Name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2021-001	Lack of County-Wide Internal Controls	Through the process of gaining and understanding the County's internal control structure, the County Clerk's office has drafted and implemented a system of County Wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively with a County Wide internal control for risk management and monitoring handbook. Assessments from each department will be turned in on an annual basis and quarterly meetings will be conducted to review internal controls.	<b>8/21/23</b>	Clif Hall, District #2 Commissioner
2021-007	Lack of Internal Controls Over Presentation of Financial Statement	I was not the County Treasurer during this time period. I will implement procedure to ensure that cash receipts and cash disbursements are accurately reported on the financial statement.	<b>7/28/23</b>	Joanna Champlin, County Treasurer
2021-008	Lack of Internal Controls Over Schedule of Federal Expenditures ALN 21.019 – Coronavirus Relief Fund	We will review and gain understanding of federal programs awarded to Cherokee County. Internal control procedures will be designed and implemented to ensure accurate reporting of expenditures on the Schedule of Federal Expenditures report.	<b>8/21/23</b>	Clif Hall, District #2 Commissioner
2021-009	Lack of County-Wide Controls Over Major Federal Programs ALN 21.019 – Coronavirus Relief Fund	For the Coronavirus Relief Fund – regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring - we worked closely with our Local Accountant, ACCO (Association of County Commissioners of Oklahoma) and NACO (National Association of county Commissioners) on how to file for the Coronavirus funds. Cherokee County will implement a system of internal controls to ensure compliance with grant requirements in the future.	<b>8/21/23</b>	Clif Hall, District #2 Commissioner

2021-010	Lack of Internal Controls Over Major Federal Programs ALN 21.019 – Coronavirus Relief Fund	Cherokee County will implement a system of internal controls to ensure compliance with grant requirements in the future.	<b>8/21/23</b>	Clif Hall, District #2 Commissioner
2021-011	Noncompliance Over Major Federal Programs Activities Allowed or Unallowed and Allowable Costs/Cost Principles ALN 21.019 – Coronavirus Relief Fund	Cherokee County will implement a system of internal controls to ensure compliance with grant requirements in the future.	<b>8/21/23</b>	Clif Hall, District #2 Commissioner

**APPENDIX B**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**(Prepared by County Management)**



*Board of County Commissioners  
Cherokee County  
213 W Delaware Rm 202  
Tahlequah, OK 74464  
Phone: 918-456-4121 Fax: 918-458-6586*

**BOBBY WHITEWATER**  
**DISTRICT # 1**

**CHRIS JENKINS**  
**DISTRICT # 2**

**CLIF HALL**  
**DISTRICT #3**

**Summary Schedule of Prior Audit Findings  
in accordance with 2 CFR § 200.511b  
for the fiscal year ended June 30, 2021**

**FINANCIAL AUDIT FINDINGS**

**Finding 2008-002, 2009-002, 2010-002, 2011-002, 2012-001, 2013-001, 2014-001, 2017-001, 2018-001, 2019-001, 2020-001**  
**Lack of County-Wide Internal Controls**

**Finding Summary:** County-wide controls regarding Risk Management and Monitoring have not been designed.  
**Status:** No Corrective action was taken. Through the process of gaining and understanding the County's internal control structure, the County Clerk's office has drafted and implemented a system of County Wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively with a County Wide internal control for risk management and monitoring handbook. Assessments from each department will be turned in on an annual basis and quarterly meetings will be conducted to review internal controls.

**Finding 2008-004, 2009-003, 2010-003, 2011-003, 2012-004, 2013-005, 2014-004**  
**Lack of Internal Controls and Noncompliance Over the Disbursement Process**

**Finding Summary:** Purchase order numbers were given out prior to encumbering. County Commissioners' purchases are not reviewed by the County Clerk for adequate supporting documentation prior to submission to the Board of County Commissioner for approval and payment. Out of thirty-eight (38) purchase orders tested twenty-five (25) were not certified.  
**Status:** Corrective action was taken.

**Finding 2011-005, 2012-009**

**Inadequate Internal Controls Over Pledged Collateral and Noncompliance with State Statute**

**Finding Summary:** During the month of December 2010, the County had unsecured deposits of \$983,293.67.  
**Status:** Corrective action was taken.

**Finding 2006-009, 2007-009, 2008-005, 2009-006, 2010-005, 2011-006, 2012-005, 2013-005, 2014-005**  
**Inadequate Internal Controls Over Segregation of Duties - Payroll**

**Finding Summary:** A lack of segregation of duties exists in the County Clerk's office because one deputy enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues payroll, prints payroll warrants, and removes terminated employees from payroll.  
**Status:** Corrective action was taken

**Finding 2009-009, 2010-008, 2011-008**

**Inadequate Internal Controls Over Information Systems Security - County Clerk and County Treasurer**

**Finding Summary:** Upon review of the computer systems within the County Treasurer's and the County Clerk's offices, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure.  
**Status:** Corrective action was taken.

**Finding 2008-011, 2009-011, 2010-011, 2011-011, 2012-004, 2013-005, 2014-004**  
**Inadequate Internal Controls Over Segregation of Duties - Purchasing**

**Finding Summary:** Upon inquiry and observation of the County's purchasing process, the following concentration of duties was noted; the Purchasing Agent prepares purchase orders, encumbers purchase orders, approves/authorizes the encumbrance, reviews the purchase order for accuracy, has custody of/prepares the warrants, maintains ledgers, and distributes warrants.  
**Status:** Corrective action was taken.

**FEDERAL AUDIT FINDINGS**

NONE

O·K·L·A·H·O·M·A  
SAI  
STATE AUDITOR & INSPECTOR



**Cindy Byrd, CPA | State Auditor & Inspector**

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