



CUSTER COUNTY

Financial Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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June 5, 2019

TO THE CITIZENS OF
CUSTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Custer County, Oklahoma for the fiscal year ended June 30, 2017. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

Board of County Commissioners

District 1 – Wade Anders
District 2 – Kurt Hamburger
District 3 – Lyle Miller

County Assessor

Brad Rennels

County Clerk

Melissa Parker

County Sheriff

Kenneth Tidwell

County Treasurer

Janet Roulet

Court Clerk

Staci Hunter

District Attorney

Angela Marsee

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

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CUSTER COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
CUSTER 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 Custer County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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 Custer 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 Custer County as of June 30, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Custer County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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 are 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 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 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 June 3, 2019, on our consideration of Custer 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 Custer County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 3, 2019

REGULATORY BASIS FINANCIAL STATEMENT

CUSTER COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:					
County General Fund	\$ 2,582,727	\$ 3,237,774	\$ -	\$ 3,177,324	\$ 2,643,177
County Highway Fund	2,710,417	6,909,752	62,516	4,712,273	4,970,412
CBRI Cash Fund (County Bridge and Road Improvement)	524,147	185,286	-	162,295	547,138
Sales Tax Cash Fund	2,938,098	2,343,354	-	2,353,472	2,927,980
Capital Improvement Cash Fund	724,639	861	-	35,907	689,593
Custer County Health Department	334,585	523,299	-	541,383	316,501
Resale Property Fund	639,338	143,092	-	180,078	602,352
Sheriff Fee Cash Fund	148,785	480,762	-	539,134	90,413
Custer County Local Emergency Planning Committee	35,852	61,435	-	64,765	32,522
Trash Cop Cash Fund	57	-	-	-	57
Couthouse/Jail Bond Fund	6,144	-	-	-	6,144
Treasurer Mortgage Tax Certification Fee	15,859	5,005	-	4,723	16,141
County Clerk Lien Fee	81,521	48,194	-	34,263	95,452
Assessor Revolving Fee	69,541	14,671	-	3,972	80,240
Assessor Visual Inspection Fund	17,448	61	-	-	17,509
Rural Convenience	197	-	-	197	-
Sheriff Drug Enforcement/Donation Fund	225	95	-	266	54
Sheriff Training & Equipment Fund	56	-	-	-	56
Sheriff DARE	60	-	-	-	60
County Clerk Records Management Fee	62,002	50,270	-	32,103	80,169
Sheriff Jail Fund	6,542	9,363	-	13,339	2,566
Sheriff Commissary Fund	55,477	169,591	-	178,979	46,089
Free Fair	48,685	20,148	-	17,000	51,833
Flood Plain Cash Fund	4,142	1,050	-	190	5,002
Custer County Rural Fire Truck & Equipment	74,298	87,087	-	-	161,385
Custer/Washita Drug Court	2,445	1,032	-	-	3,477
Combined Total - All County Funds	\$ 11,083,287	\$ 14,292,182	\$ 62,516	\$ 12,051,663	\$ 13,386,322

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Custer 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 emergency medical districts, 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 Fund – accounts for the general operations of the government.

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

CBRI Cash Fund (County Bridge and Road Improvement) – accounts for state receipts and disbursements for the purpose of maintaining bridges and roads.

Sales Tax Cash Fund – accounts for the sales tax collected and spent on behalf of the following entities: General Government (50%); County Sheriff (30%); Rural Fire Departments (8%); OSU Extension Office (8%); Custer County Free Fair (4%).

Capital Improvement Cash Fund – accounts for use tax collections and disbursements are for improvements to the courthouse.

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

Custer County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues and disbursed for the operations of the health department.

Resale Property Fund – accounts for the collection of interest and penalties on delinquent taxes and disbursed as restricted by state statute.

Sheriff Fee Cash Fund – accounts for the collection and disbursement of sheriff process service fees as restricted by state statute.

Custer County Local Emergency Planning Committee – accounts for grant monies received for various grants filed for emergency management services within the County.

Trash Cop Cash Fund – accounts for grant funds received and spent on eradication of trash in the rural areas of the County.

Courthouse/Jail Bond Fund – accounts for the excess proceeds from a 1982 bond issue that was to fund an addition to the courthouse for jail and courthouse offices.

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

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

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

Assessor Visual Inspection Fund – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

Rural Convenience – accounts for depository monies disbursed for an employee's salary that operates the rural convenience trash disposal in Thomas, Oklahoma.

Sheriff Drug Enforcement/Donation Fund – accounts for donations received to purchase and maintain a drug dog.

Sheriff Training & Equipment Fund – accounts for the collections from the sale of unclaimed property and disbursed for the training and equipping of the County Sheriff's deputies.

Sheriff DARE – accounts for state grant funds disbursed for the purpose of drug education and awareness.

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

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

Sheriff Jail Fund – accounts for the County Sheriff’s portion of the appearance bond fee assessed by the District Court and disbursed for the general operations of the jail and restricted by statute.

Sheriff Commissary Fund – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor and to improve or provide jail services. Additionally, any surplus funds can be expended for administering expenses for training, equipment, travel, or for capital expenditures.

Free Fair – accounts for the collection of sales tax money, rent of the fair building/grounds, and interest earned on investments and disbursed for the operations of the free fair organization.

Flood Plain Cash Fund – accounts for monies collected for flood plain permits and disbursed for flood plain training and certifications.

Custer County Rural Fire Truck & Equipment – accounts for the collection of use tax and disbursed for fire trucks and equipment for the rural fire departments within the County as authorized by Board of County Commissioners.

Custer/Washita Drug Court – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the drug court administration.

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 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.

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

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 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."

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

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 Custer County approved an extension of a one-half percent (1/2%) sales tax effective July 1, 2012, for a period of 5 years, ending June 30, 2017, to fund the following: General Government (50%); County Sheriff (30%); Rural County Fire Departments (8%); OSU Extension office (8%); and County Free Fair (4%). These funds are accounted for in the Sales Tax Cash Fund. On February 14, 2017, the voters approved to extend this sales tax for another five years.

E. Tax Abatements

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

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

The County had \$170,095 in ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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

F. Interfund Transfers

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

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

- \$62,516 was transferred from Emergency and Transportation Revolving Cash Fund (a Trust and Agency fund) to the County Highway Fund as a loan used for bridge and road projects in the County.

OTHER SUPPLEMENTARY INFORMATION

CUSTER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,582,727	\$ 2,582,727	\$ -
Less: Prior Year Outstanding Warrants	(47,207)	(47,207)	-
Less: Prior Year Encumbrances	(30,824)	(30,824)	-
Beginning Cash Balances, Budgetary Basis	<u>2,504,696</u>	<u>2,504,696</u>	<u>-</u>
Receipts:			
Total Receipts, Budgetary Basis	<u>2,466,276</u>	<u>3,237,774</u>	<u>771,498</u>
Expenditures:			
Total Expenditures, Budgetary Basis	<u>4,970,972</u>	<u>3,129,664</u>	<u>1,841,308</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,612,806	<u>\$ 2,612,806</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		15,079	
Add: Current Year Encumbrances		<u>15,292</u>	
Ending Cash Balance		<u><u>\$ 2,643,177</u></u>	

CUSTER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 334,585	\$ 334,585	\$ -
Less: Prior Year Outstanding Warrants	(42)	(42)	-
Less: Prior Year Encumbrances	(100,333)	(100,333)	-
Beginning Cash Balances, Budgetary Basis	234,210	234,210	-
Receipts:			
Total Receipts, Budgetary Basis	483,482	523,299	39,817
Expenditures:			
Total Expenditures, Budgetary Basis	717,692	453,956	263,736
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	303,553	\$ 303,553
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		-	
Add: Current Year Encumbrances		7,305	
Add: Current Year Outstanding Warrants		5,643	
Ending Cash Balance		\$ 316,501	

CUSTER COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Department of Transportation:			
Highway Planning and Construction	20.205		64,636
Direct Grant:			
Public Transportation Emergency Relief Program	20.527		12,655
Total U.S. Department of Transportation			<u>12,655</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	DR4222, DR4247, DR4256	1,558,791
Hazard Mitigation Grant	97.039	HMGP 04	19,586
Emergency Management Performance Grants (EMPG)	97.042	EMPG 04	45,111
Total U.S. Department of Homeland Security			<u>1,623,488</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,636,143</u></u>

CUSTER COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Custer 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

Custer 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 December 29, 2015 the President of the United States approved a Major Disaster Declaration (DR-4247) for Custer County in response winter storm damage. The County incurred \$23,507 in eligible expenditures in the prior fiscal year ending June 30, 2016. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2017. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$23,507 in eligible expenditures incurred in the fiscal year ending June 30, 2016 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2017.

On February 10, 2016 the President of the United States approved a Major Disaster Declaration (DR-4256) for Custer County in response winter storm damage. The County incurred \$178,276 in eligible expenditures in the prior fiscal year ending June 30, 2016. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2017. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$178,276 in eligible expenditures incurred in the fiscal year ending June 30, 2016 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2017.

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
CUSTER 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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Custer County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Custer County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 3, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2017, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Custer 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 Custer County's internal control. Accordingly, we do not express an opinion on the effectiveness of Custer 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2017-001.

Compliance and Other Matters

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

We noted certain matters regarding statutory compliance that we reported to the management of Custer County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Custer County's Response to Findings

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 3, 2019

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

TO THE OFFICERS OF
CUSTER COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Custer County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Custer County's major federal program for the year ended June 30, 2017. Custer 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 Custer 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 Custer County's compliance.

Opinion on Each Major Federal Program

In our opinion, Custer County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.



Report on Internal Control Over Compliance

Management of Custer 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 Custer 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 Custer 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 2017-017, and 2017-018, that we consider to be material weaknesses.

Custer County's Response to Findings

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 3, 2019

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements 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: Unmodified

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

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

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

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

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-001 – Inadequate County-Wide Controls (Repeat Finding 2012-001, 2013-001, 2016-001)

Condition: 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 risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is 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 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 to indicate internal controls that are present, and the monitoring of such controls are provided.

Management Response:

Chairman, Board of County Commissioners: We will work to design and implement county-wide controls.

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

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

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

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

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

Finding 2017-017 – Inadequate County-Wide Controls Over Major Federal Programs – FEMA (Repeat Finding 2016-017)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: DR-4222, DR-4247, DR-4256

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions

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 address county-wide controls over major federal programs.

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

Recommendation: OSAI recommends that the County design and implement procedures to identify and address risks and to ensure that information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. OSAI further recommends the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

County Commissioner District 1, 2, and 3: We will work to implement a risk assessment plan. We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure all checks and balances are done correctly.

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicate this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goal and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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.

For a county to run and control its operations, it must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the County who need it and, in a form, and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communications are broad-based, and that information technology management assures useful, reliable, and continuous communications.

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 2017-018 – Inadequate Internal Controls Over Major Programs - FEMA (Repeat Finding 2016-018)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL AWARD NUMBER: DR-4222, DR-4247, DR-4256

FEDERAL AWARD YEAR: 2017

CONTROL CATEGORY: **CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Custer County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

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

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

Recommendation OSAI recommends the County gain an understanding of requirements for this program and implement internal controls to ensure compliance with requirements.

Management Response:

County Commissioner District 1, 2, and 3: The Board of County Commissioners will work to ensure internal controls are designed and implemented.

Criteria: *2 CFR § 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).

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

Finding 2017-010 – Inadequate Internal Controls and Noncompliance over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding 2012-005, 2013-005, 2016-010)

Condition: Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund the following exceptions were noted:

- Bank reconciliations are not reviewed for accuracy by someone other than the preparer.
- There is no oversight while retrieving money from the kiosks or the voiding of receipts.
- The County Sheriff's office did not make daily deposits of Inmate Trust collections.
- Ledgers containing the balance of each inmate's funds are not reconciled to the bank statements monthly.
- The County Sheriff does not file an Annual Report of the Sheriff Commissary Fund with the Board of County Commissioners by January 15th of each year.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes, laws, and regulations. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of undetected errors and possible misappropriation of funds.

Recommendation: OSAI recommends the following:

- Management should be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. Management should provide segregation of duties so that bank statements are reviewed by someone other than the preparer. Further, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud including the collection of cash from kiosks and the voiding of receipts.
- Perform bank deposits on a daily basis.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th of the fiscal year.

Management Response:

County Sheriff: We have corrected some of the issues listed above. We are in the process of changing commissary providers. We will also make daily deposits into the Inmate Trust account. Additionally, we will file an annual commissary report with the Board of County Commissioners.

**CUSTER COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Criteria: Effective internal controls include management properly implementing procedures to ensure the safeguarding of inmate trust funds and compliance with 19 O.S. § 180.43(D).

Title 19 O.S. § 180.43D states in part, “Each county sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. 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...”

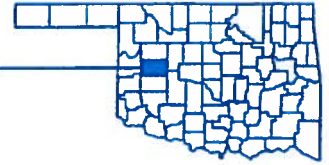
APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

CUSTER COUNTY

Office of the County Commissioners



Custer County
Corrective Action Plan in accordance with 2 CFR 200.511c
For the fiscal year ended June 30, 2017

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Inadequate County-Wide Controls	The Board of County Commissioners will work with all county officials to assess and identify risks.	6-30-2019	Lyle Miller, BOCC Chairman
2017-017	CFDA No. 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	The Board of County Commissioners will work to implement a Risk Assessment Plan.	6-30-2019	Lyle Miller, BOCC Chairman
2017-018	CFDA No. 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	The Board of County Commissioners will work to ensure internal controls are designed and implemented.	6-30-2019	Lyle Miller, BOCC Chairman

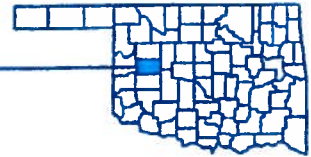
APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

CUSTER COUNTY

Office of the County Commissioners



Schedule of Prior Year Findings and Questioned Costs in accordance with 2 CFR 200.511b For the fiscal year ended June 30, 2017

FINANCIAL AUDIT FINDINGS

Finding 2012-001, 2013-001, 2016-001

Inadequate County-Wide Controls

Finding Summary: County-wide controls regarding Risk Assessment and Monitoring have not been designed

Status: No corrective action taken.

FEDERAL AUDIT FINDINGS

Finding 2016-017

Inadequate County-Wide Controls Over Major Federal Programs – FEMA

Pass-Through Granter: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR-4222

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed; Allowable Costs Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

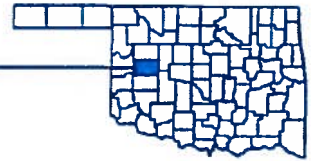
Questioned Costs: \$-0-

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

Status: No corrective action taken.

CUSTER COUNTY

Office of the County Commissioners



**Schedule of Prior Year Findings and Questioned Costs
in accordance with 2 CFR 200.511b
For the fiscal year ended June 30, 2017**

FEDERAL AUDIT FINDINGS - CONTINUED

Finding 2016-018

Inadequate Internal Controls Over Major Programs – FEMA

Pass-Through Granter: Oklahoma Department of Emergency Management

Federal Agency: U.S. Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Award Number: DR-4222

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: Internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions have not been established.

Status: No corrective action taken.



Cindy Byrd, CPA | State Auditor & Inspector

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