



DEWEY COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**DEWEY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

September 8, 2022

TO THE CITIZENS OF
DEWEY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Dewey County, Oklahoma for the fiscal year ended June 30, 2018. 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

**DEWEY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

District 1 – Dillon Berry
District 2 – Rupert Irving
District 3 – Melvin Salisbury Jr.

County Assessor

Julie Louthan

County Clerk

Misty Moore

County Sheriff

Clay Sander

County Treasurer

Dusty Fox

Court Clerk

Rachelle Rogers

District Attorney

Chris Boring

**DEWEY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
DEWEY 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 Dewey County, Oklahoma, as of and for the year ended June 30, 2018, 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 Dewey 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 Dewey County as of June 30, 2018, 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 Dewey County, as of and for the year ended June 30, 2018, 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 September 8, 2022, on our consideration of Dewey 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 Dewey County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

September 8, 2022

REGULATORY BASIS FINANCIAL STATEMENT

DEWEY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2018
County Funds:				
County General Fund	\$ 9,985,105	\$ 6,219,808	\$ 4,398,370	\$ 11,806,543
County Highway Cash	4,224,014	6,237,916	6,179,795	4,282,135
Sales Tax - Roads Bridges Public Safety	134,291	2,482,107	2,411,890	204,508
Prisoner Revolving Fund	265,959	230,757	248,550	248,166
County Bridge and Road Improvement Fund	839,095	219,291	18,010	1,040,376
County Clerk Lien Fee	313,371	75,019	32,898	355,492
Dewey County E911	170,441	40,481	25,764	185,158
County Clerk Records Preservation Fee	154,727	44,970	14,800	184,897
Sheriff Service Fee	58,003	41,813	26,581	73,235
Pre-Paid 911	160,898	38,603	9,040	190,461
Sheriff Commissary Fund	23,542	45,606	49,376	19,772
REAP Grant	-	39,477	39,477	-
Resale Property	59,309	17,226	7,190	69,345
Sheriff DEA Fund	10,329	-	7,731	2,598
Donations	-	25,000	17,857	7,143
County Assessor Revolving	23,379	6,255	7,016	22,618
Local Emergency Management	19,139	3,450	3,245	19,344
Treasurer Mortgage Tax Certification Fee	5,295	1,175	249	6,221
Emergency Management Planning Grant	14,927	-	497	14,430
Sheriff Training	1,684	-	-	1,684
County Clerk Change Fund	400	-	-	400
County Treasurer Change Fund	300	-	-	300
Court Clerk Change Fund	150	-	-	150
Reward Revolving Fund	100	-	-	100
County Assessor Change Fund	100	-	-	100
Total - All County Funds	\$ 16,464,558	\$ 15,768,954	\$ 13,498,336	\$ 18,735,176

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

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Dewey 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 within the financial statement:

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

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

Sales Tax - Roads Bridges Public Safety – accounts for the collections of sales tax and disbursements for improvement projects on county roads and bridges, county fire protection, emergency medical services, and public safety projects.

Prisoner Revolving Fund – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are for the purpose of maintaining the jail.

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

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Dewey County E911 – accounts for the collection of state grant money and fees to establish and operate the 911 system.

County Clerk Records Preservation Fee – accounts for instruments filed with the County Clerk's office as restricted by state statute.

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

Pre-Paid 911 – accounts for the collection of fees by wireless users within the County for the operation of the Emergency 911 service.

Sheriff Commissary Fund – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department to improve or provide jail services.

REAP Grant – accounts for Rural Economic Action Plan funds and disbursed to promote economic development and growth in the County.

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

Sheriff DEA Fund – accounts for federal funds for drug enforcement administration programs and disbursed for the enforcement of laws related to illegal drugs.

Donations – accounts for monies donated to the County and disbursed for the sole purpose in which they are donated.

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

Local Emergency Management – accounts for the funds received from the state to prepare an emergency awareness plan for the citizens of Dewey County.

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

Emergency Management Planning Grant – accounts for federal funds for the purpose of the County's emergency management program.

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sheriff Training – accounts for the collection of miscellaneous receipts and disbursements are for the training of Sheriff Deputies.

County Clerk Change Fund – accounts for funds used by the County Clerk's office to make change.

County Treasurer Change Fund – accounts for funds used by the County Treasurer's office to make change.

Court Clerk Change Fund – accounts for funds used by the Court Clerk's office to make change.

Reward Revolving Fund – accounts for monies collected and disbursed to citizens involved in the reporting of littering offenses.

County Assessor Change Fund – accounts for funds used by the County Assessor's office to make change.

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 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

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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."

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.

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

D. Sales Tax

Sales Tax of November 7, 2006

On November 7, 2006, the voters of Dewey County approved an additional one-half (1/2) cent sales tax, adding to the previous one-half (1/2) cent sales tax. This sales tax makes the total tax one percent (1%) on gross receipts or proceeds on certain sales. This sales tax was established to provide revenue for allocation of funds to Dewey County General County Government. These funds are accounted for in the County General Fund.

Sales Tax of April 1, 2014

On April 1, 2014, the voters of Dewey County passed a sales tax proposition to continue the three-quarters (.75) of one (1) cent sales tax to be deposited into a Sales Tax Revenue Fund account with the Dewey County Public Facilities Authority pursuant to a Sales Tax Agreement; pledged toward the retirement of any indebtedness incurred therefore; and to be designated and used to promote the safety, security and well-being of the people, including but not limited to county improvement projects as follows:

- (a) County roads and bridges
- (b) County fire protection
- (c) Emergency medical services
- (d) Public safety projects

With said sales tax to terminate after ten (10) years unless continued by a majority of the electors of Dewey County in an election called for the purpose of posing said proposition, authorizing the pledging of said sales tax for debt service; making provisions separable, and declaring an emergency. These funds are accounted for in the Sales Tax - Roads Bridges Public Safety fund.

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.

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The County had \$684,855 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

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.

SUPPLEMENTARY INFORMATION

DEWEY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 1,500	\$ 70	\$ 1,430
County Sheriff	870,482	861,834	8,648
County Treasurer	183,450	165,620	17,830
County Commissioners	203,300	203,060	240
County Commissioners O.S.U. Extension	29,389	20,762	8,627
County Clerk	171,860	165,483	6,377
Court Clerk	147,360	147,360	-
County Assessor	133,180	122,363	10,817
Revaluation of Real Property	93,880	84,715	9,165
General Government	6,643,600	1,145,382	5,498,218
Excise - Equalization Board	8,100	5,303	2,797
County Election Expense	105,653	98,517	7,136
Insurance - Benefits	20,000	8,233	11,767
Charity	100	-	100
Fire Fighting Services	100,000	54,541	45,459
Recording Account	400	-	400
Contingency Account	1,500,100	-	1,500,100
Civil Defense	7,500	4,467	3,033
Highway Budget Account	1,432,074	1,405,863	26,211
County Audit Budget Account	43,515	43,515	-
Free Fair Budget Account	90,400	85,905	4,495
Total Expenditures, Budgetary Basis	<u>\$ 11,785,843</u>	<u>\$ 4,622,993</u>	<u>\$ 7,162,850</u>

**DEWEY COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Budgetary Schedules

The Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis for the General Fund present comparison 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

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments In Lieu of Taxes	15.226	N/A	<u>\$ 25,113</u>
Total U.S. Department of Interior			<u>25,113</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4222-DR-OK	9,853
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4229-DR-OK	292,900
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4256-DR-OK	925,608
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	FEMA-4247-DR-OK	<u>672,758</u>
Total CFDA 97.036			<u>1,901,119</u>
Emergency Management Performance Grants	97.042	EMPG-17-18	<u>5,383</u>
Total U.S. Department of Homeland Security			<u>1,906,502</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,931,615</u></u>

**DEWEY COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Basis of Presentation

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

Dewey 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 May 26, 2015, the President of the United States approved a Major Disaster Declaration for Dewey County, in response to Oklahoma severe storms, tornadoes, straight-line winds, and flooding, May 5, 2015 through June 22, 2015, DR-4222. The County incurred \$9,853 in eligible expenditures in the fiscal year ending June 30, 2017. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2016 and June 30, 2018. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) includes \$9,853 in eligible expenditures 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
DEWEY 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 Dewey County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise Dewey County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 8, 2022.

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, 2018, 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 Dewey 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 Dewey County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Dewey 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: 2018-001, 2018-002, and 2018-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dewey 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003.

Dewey County's Response to Findings

Dewey County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dewey 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

September 8, 2022



**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
DEWEY COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Dewey County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dewey County's major federal program for the year ended June 30, 2018. Dewey 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 Dewey 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 Dewey County's compliance.

Basis for Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters)

As described in Finding 2018-006 in the accompanying schedule of findings and questioned costs, Dewey County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2018-006	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Allowable Costs
2018-006	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Cash Management
2018-006	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Matching

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

Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dewey County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2018.

Other Matters

Dewey County’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dewey 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 Dewey 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 Dewey 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 Dewey 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 2018-004 and 2018-005, that we consider to be material weaknesses.

Dewey County's Response to Findings

Dewey 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. Dewey 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

September 8, 2022

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 financial statements noted?..... Yes

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>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster)

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

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

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-001 – Lack of County-Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2016-001, 2017-001)

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 the risks 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: Dewey County will work on implementing a system for county-wide procedures.

County Clerk: I will participate with other Elected Officials to continue building policy and procedures to protect the County and maintain county-wide internal controls.

County Treasurer: The Dewey County Officials have been meeting periodically. These meetings have a structured agenda which include items addressing fraud risk to the County. It is understood that adequate county-wide controls require constant monitoring.

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.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-002 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes (Repeat Finding - 2012-003, 2013-003, 2016-004, 2017-004)

Condition: Upon inquiry and observation of the County’s disbursement and payroll processes and test of forty-five (45) disbursements and payroll expenditures reflected the following weaknesses:

- The County does not have an adequate segregation of duties over payroll to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- One (1) of the County Commissioner’s signature stamps is located in a safe that is accessible to other employees.
- The disbursement of sales tax monies to the Dewey County Public Facilities Authority (DCPFA) totaling \$2,411,890 were not disbursed using a purchase order.
- One (1) purchase order was not encumbered properly.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement and payroll processes to strengthen internal controls and ensure compliance with the state statute.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Recommendation: OSAI recommends the County follow proper purchasing procedures:

- Posting new hires, making changes to the payroll system and maintaining payroll checks should be segregated from the key accounting functions of the payroll process:
- Signature stamps should be maintained and used only by the individual whose name is on the stamp.
- Disbursements of sales tax funds should be disbursed by purchase order.

OSAI also recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services in accordance with 19 O.S. § 1505.

Management Response:

County Clerk: I am currently having one individual enroll all new hires into the system and a separate individual figuring payroll to segregate the process from one employee. I will also contact the software company regarding possibly applying a second notification on all payroll changes to the system.

Currently, two Commissioners have signature stamps, and they keep the signature stamps on their person.

Disbursements of sales tax monies to the Dewey County Public Facilities Authority have been changed to run through the purchase order system.

I will work towards educating all requisition officers to encumber funds properly.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Design of Appropriate Types of Control Activities

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Additionally, Principal 10 – Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

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

Compliance Objectives

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 objectives that incorporate these requirements.

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

Finding 2018-003 – Lack of Internal Controls and Noncompliance Over Presentation of County Sales Tax (Repeat Finding - 2016-005, 2017-005)

Condition: Upon inquiry and observation of the process of collecting and expending county sales tax, it was noted the county sales tax designated for the County General Fund was not accounted for separately in a discretely presented account within the County General Fund. The total apportionment for fiscal year 2018 was \$2,812,123.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute and Attorney General (AG) opinions.

Effect of Condition: This condition resulted in noncompliance with state statute and nonconformity with AG opinions concerning the county sales tax statute and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds for county sales tax.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure sales tax apportionments and disbursements recorded in the County General Fund are maintained in accordance with state statute and AG opinions.

Management Response:

Chairman of the Board of County Commissioners: This has been corrected.

County Clerk: County sales tax is currently separated within the County General Fund.

County Treasurer: The Dewey County Board of County Commissioners, County Clerk, and County Treasurer implemented in fiscal year 2020, the separation of the sales tax into its own account. This allows us to track the revenue and expenses of the sales tax funds adequately.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Appropriate Documentation of Transactions and Internal Control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Title 68 O.S. § 1370(E) states in part, “Any sales tax which may be levied by a county shall be designated for a particular purpose... The county shall identify the purpose of the sales tax when it is presented to the voters pursuant to the provisions of subsection A of this section... the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated....”

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; *Cavin v. Bd. of County Comm’rs*, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding 2018-004 – Lack of County-Wide Controls Over Major Federal Programs – FEMA (Repeat Finding - 2017-013)

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 Disaster)

FEDERAL AWARD NUMBER: DR-4222, DR-4247, DR-4256, DR-4299,

FEDERAL AWARD YEAR: 2017, 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs; Cash Management; Matching; Period of Performance; 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 ensure the County complies with grant requirements.

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

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

Management Response:

Chairman of the Board of County Commissioners: Dewey County will implement a system to ensure county-wide controls over Federal programs.

County Clerk: I will participate with other Elected Officials to set up policy and procedures for county-wide controls for Federal grants to ensure the County is protected from risk.

County Treasurer: The Dewey County Officers will establish a policy of internal controls regarding Federal programs as required by the Uniform Grant Guidance. I will work with other Elected Officials to implement these policies and improve communications.

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

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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).

Additionally, 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.

Further, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

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.

Finding 2018-005 – Lack of Internal Controls Over Compliance Requirements Over Major Federal Programs – FEMA (Repeat Finding - 2017-014)

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 Disaster)

FEDERAL AWARD NUMBER: DR-4222, DR-4247, DR-4256, DR-4299,

FEDERAL AWARD YEAR: 2017, 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs; Cash Management; Matching; Period of Performance; Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County’s internal controls regarding federal disbursements, we noted that Dewey County has not established procedures to ensure compliance with the following requirements: Activities Allowed or Unallowed; Allowable Costs; Cash Management; Matching; Period of Performance; Special Tests and Provisions.

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

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Effect of Condition: This condition resulted noncompliance to grant requirements and could lead to a loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

Management Response:

Chairman of the Board of County Commissioners: Dewey County will gain an understanding of Federal compliance requirements for these programs and implement control procedures.

County Clerk: I will participate with other Elected Officials to set up policy and procedures for county-wide controls for Federal grants to ensure the County is protected from risk.

County Treasurer: The Dewey County Officers understand that proper compliance regarding Federal programs is required in order to mitigate fraud risk. I will strive to continually communicate the need to properly track revenues and expenses per project.

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).

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

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, 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.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Finding 2018-006 – Noncompliance with Compliance Requirements Over Major Federal Programs - FEMA

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, DR-4299,

FEDERAL AWARD YEAR: 2017, 2018

CONTROL CATEGORY: Allowable Costs; Cash Management; Matching

QUESTIONED COSTS: \$1,340,382

Condition: Upon inquiry of staff, review of documentation and procedures, and a test of six (6) out of eleven (11) project worksheets, the following items were noted:

- The County co-mingled federal advance payments with other highway funds and did not maintain documentation to support which expenses were federal.
- Supporting documentation retained from projects were not reviewed or approved by anyone other than the preparer.

Disaster 4247 - Project Worksheet 107:

- The total cost of labor including fringe benefits were not included in project costs.
- Advance payments and their interest were not tracked after receipting funds into the County Highway Cash fund.
- Supporting documentation was not reviewed or certified by the preparer or another employee.

Disaster 4247 - Project Worksheet 108:

- The total cost of labor including fringe benefits were not included in project costs.
- Advance payments and their interest were not tracked after receipting funds into the County Highway Cash fund.
- Supporting documentation is not reviewed or certified by the preparer or another employee.
- Project expense documentation was not adequately retained to verify costs of the project or what funds out of the County Highway Cash fund were used for the federal share of the project. Total questioned costs of the project: \$353,800.

Disaster 4247 - Project Worksheet 109:

- The total cost of labor including fringe benefits were not included in project costs.
- Advance payments and their interest were not tracked after receipting funds into the County Highway Cash fund.
- Supporting documentation was not reviewed or certified by the preparer or another employee.
- Project expense documentation was not adequately retained to verify costs of the project or what funds out of the County Highway Cash fund were used for the federal share of the project. Total questioned costs of the project: \$79,123.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Disaster 4256 - Project Worksheet 316:

- FEMA equipment rates were not consistently used by the district. Total county equipment costs exceeded FEMA approved rates by \$577
- A standard labor rate was used for every employee and the County did not retain calculations on how the cost was determined.
- Daily activity reports are not reviewed or certified by the preparer or another employee.
- Project expense documentation was not adequately retained to verify costs of the project or what funds out of the County Highway Cash fund were used for the federal share of the project. Total questioned costs of the project: \$387,088.

Disaster 4256 - Project Worksheet 311:

- FEMA equipment rates were not consistently used by the district. Total county equipment costs did not exceed the FEMA approved rates.
- A standard labor rate was used for every employee and the County did not retain calculations on how the cost was determined.
- Daily activity reports are not reviewed or certified by the preparer or another employee.
- Project expense documentation was not adequately retained to verify costs of the project or what funds out of the County Highway Cash fund were used for the federal share of the project. Total questioned costs of the project: \$493,300.

Disaster 4299 - Project Worksheet 90:

- A standard labor rate was used for every employee and the County did not retain calculations on how the cost was determined.
- Supporting documentation was not reviewed or certified by the preparer or another employee.
- Project expense documentation was not adequately retained to verify costs of the project or what funds out of the County Highway Cash fund were used for the federal share of the project. Total questioned costs of the project: \$27,071.

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

Effect of Condition: These conditions resulted in noncompliance to grant requirements and could result in loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of the compliance requirements for federal programs and implement internal control procedures to ensure compliance with all requirements.

Management Response:

Chairman of the Board of County Commissioners: We will try to gain an understanding of requirements for Federal programs and implement a system to ensure compliance with all requirements.

County Clerk: I will work to educate grant recipients on the importance of tracking all expenditures and revenue for Federal programs as well as submit to each District a fringe benefit statement for each individual disaster.

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

County Treasurer: The Dewey County Officers understand that proper compliance regarding Federal programs is required in order to mitigate fraud risk. I will strive to continually communicate the need to properly track revenues and expenses per project. It is understood that adequate reporting and tracking of funds requires clear communication from all parties involved, risk assessment, and monitoring.

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).

Title 2 CFR § 200.318 (a), *General procurement standards*, reads as follows:

a) The Non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. [...]

Title 2 CFR § 200.84 *Questioned Cost* reads as follows:

Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for fund used to match Federal funds;
- (b) Where the costs, at the time of the audit, are not supported by adequate documentation;
- or
- (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

Further, GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

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. [...]

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Dillon Berry
District 1

Lance Sander
District 2



Junior Salisbury
District 3

Amy Hanks
Commissioner's Secretary

DEWEY COUNTY COMMISSIONERS
Broadway & Ruble · PO Box 368 · Taloga, Oklahoma 73667
Phone: (580) 328-5390

Corrective Action Plan
in accordance with 2 CFR
§ 200-511c for the fiscal
year
ended June 30, 2018

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Lack of County-Wide Internal Controls	County Officials will continue to work together to identify risks to the County. Officials will meet periodically to develop policies and procedures to protect the county.	6-30-2023	Julie Nance
2018-002	Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes	County Clerk will run a Payroll Comparison Report Monthly and address any changes from the prior month. County Clerk will sign up all new employees and enter into system as a way to separate duties of the payroll clerk.	9-30-2022	Julie Nance
2018-003	Lack of Internal Controls and Noncompliance Over Presentation of County Sales Tax	County officials separated Sales Tax into its own fund in 2020 which allows us to tract the revenue and expenses.	8-31-2022	Julie Nance

2018-004	Lack of County-Wide Controls Over Major Federal Programs - FEMA	I will work with other elected officials to implement county wide controls to limit risk to the county.	6-30-2023	Julie Nance
2018-005	Lack of Internal Controls Over Compliance Requirements Over Major Federal Programs - FEMA	I will work with other elected officials to set up policy and procedures for county wide controls for federal grants. I will communicate the need to properly track revenues and expenses per project.	12-31-2023	Julie Nance
2018-006	Noncompliance with Compliance Requirements Over Major Federal Programs - FEMA	I will work to educate grant recipients on the importance of tracking all expenditures and revenue for Federal project.	12-31-2023	Julie Nance

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Dillon Berry

District 1

Lance Sander

District 2



Junior Salisbury

District 3

Cindy Smith

Commissioner's Secretary

DEWEY COUNTY COMMISSIONERS
Broadway & Ruble · PO Box 368 · Taloga, Oklahoma 73667
Phone: (580) 328-5390

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2018**

FINANCIAL AUDIT FINDINGS

Finding 2012-001, 2013-001, 2016-001, 2017-001.

Inadequate County-Wide Controls

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

Status: Partially Corrected; Officers are periodically meeting to discuss internal controls. Officers will continue to meet at a more regular schedule to discuss risk to the County and implement policies and procedures for such risks.

Finding 2012-003, 2013-003, 2016-004, 2017-004.

Inadequate Internal Controls and Noncompliance Over the Disbursement Process including Payroll

Finding Summary: Upon inquiry of officers and staff, observation of records, and test of disbursements, the following weaknesses were noted:

- The duties of processing payroll are not adequately segregated. Although duties have been reassigned one employee still has the ability to enroll new employees in addition to completing payroll.
- Two of the County Commissioner's signature stamps are located in a safe that is accessible to other employees.
- The disbursement of sales tax monies, a total of \$1,138,308, to the Dewey County Public Facilities Authority (DCPFA) is not run through the purchase order system.
- District 2 inserts copied signatures on receiving reports to indicate delivery of goods.

The review of a sample of thirty-six (36) non-payroll disbursements of the three thousand seven hundred and fifty-one (3,751) non-payroll disbursements reflected the following:

- Three (3) were not properly encumbered.
- **Status:** Partially Corrected; Payroll segregation is to the best of ability with the amount of staffing. Signature stamps are secured. Two in lock box in vault and one is kept on person by Commissioner. Sales tax monies are currently being put through the purchasing procedure and County Clerk is now stamping purchase orders when they are not in compliance with the Purchasing Act. All Officer's will continue to work on purchasing procedures. Payroll will continue to be checked by Clerk.

Finding 2016-005, 2017-005.

Inadequate Internal Controls and Noncompliance Over Presentation of County Sales Tax.

Finding Summary: Upon inquiry and observation of the process of collecting and expending county sales tax, it was noted the county sales tax designated for the County General Fund was not accounted for separately in a discretely presented account within the County General Fund. The total apportionment for fiscal year 2017 was \$1,407,774.

Status: Fully Corrected; All Sales Tax is currently collected separately within the General Fund.

Finding 2012-007, 2013-007, 2016-009, 2017-009.

Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund

Finding Summary: Upon inquiry of County Officials and employees, and observation of records in regard to the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following weaknesses were noted:

- Collections were not made on a daily basis.
- \$4,794 in expenditures were made from the Inmate Trust Fund Checking Account for purposes other than statutorily allowed.
- Three (3) checks were signed by only one person.
- There were no signatures to verify approval and accuracy of reconciliations of the Inmate Trust Fund Checking Account.
- There is no policy in place regarding unclaimed funds for the Inmate Trust Fund Checking Account.
- Inventory records are not maintained for on hand commissary items.

Status: Fully Corrected.

The current Jail Administrator is working diligently to ensure all policies and procedures are followed.

FEDERAL AUDIT FINDINGS

Finding 2017-013

Inadequate County-Wide Controls Over Major Federal Programs – FEMA

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 Grant Award Number: DR-4109, DR-4222 and DR-4247

Federal Award Year: 2017

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Level of Effort, Earmarking, Period of Performance, Special Test and Provisions

Questioned Costs: \$-0-

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

Status: Partially Corrected; The County has adopted a resolution for County procedures over the SEFA. Officers are diligently working to better communicate and follow procedures to comply with all grants.

Finding 2017-014

Inadequate Internal Controls Over Major Federal Programs – FEMA – CFDA #97.036

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 Grant Award Number: DR-4109, DR-4222 and DR-4247

Federal Award Year: 2017

Control Category: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Level of Effort, Earmarking, Period of Performance, and Special Test and Provisions

Questioned Costs: \$-0-

Finding Summary: During the process of documenting the County’s internal controls regarding federal disbursements, OSAI noted the County has not established 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, and Special Test and Provisions.

Status: Partially Corrected; The County has adopted a resolution for County procedures over the SEFA. Officers are diligently working to better communicate and follow procedures to comply with all grants.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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