



DEWEY COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**DEWEY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



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, 2019. 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, 2019**

Board of County Commissioners

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

County Assessor

Julie Louthan

County Clerk

Misty Randolph

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, 2019**

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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, 2019, 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, 2019, 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, 2019, 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 supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The 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 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, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
County Funds:						
County General Fund	\$ 11,806,543	\$ 6,267,015	\$ -	\$ -	\$ 3,744,368	\$ 14,329,190
County Highway Cash	4,282,135	9,120,934	-	-	6,577,885	6,825,184
Sales Tax - Roads Bridges Public Facility	204,508	2,370,064	-	-	2,386,385	188,187
Prisoner Revolving Fund	248,166	48,640	-	216,456	80,350	-
County Bridge and Road Improvement Fund	1,040,376	354,567	-	-	89,465	1,305,478
County Clerk Lien Fee	355,492	32,371	-	-	10,680	377,183
Dewey County E911	185,158	44,429	215,206	-	35,060	409,733
County Clerk Records Preservation Fee	184,897	26,305	-	-	15,265	195,937
Sheriff Service Fee	73,235	143,767	216,456	-	75,786	357,672
Pre-Paid 911	190,461	32,265	-	215,206	7,520	-
Sheriff Commissary Fund	19,772	25,907	-	-	37,803	7,876
REAP Grant	-	39,142	-	-	39,142	-
Resale Property	69,345	19,307	-	-	6,634	82,018
Sheriff DEA Fund	2,598	-	-	-	-	2,598
Donations	7,143	31,717	-	-	38,860	-
County Assessor Revolving	22,618	3,929	-	-	4,938	21,609
Local Emergency Management	19,344	4,650	7,827	-	6,513	25,308
Treasurer Mortgage Tax Certification Fee	6,221	1,340	-	-	315	7,246
Emergency Management Planning Grant	14,430	-	-	7,827	6,603	-
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	\$ 18,735,176	\$ 18,566,349	\$ 439,489	\$ 439,489	\$ 13,163,572	\$ 24,137,953

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019**

The County had \$645,095 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2019.

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:

- \$216,456 was transferred from the Prisoner Revolving Fund to the Sheriff Service Fee fund by the Board of County Commissioners (BOCC) approval to close the fund.
- \$215,206 was transferred from the Pre-Paid 911 fund to the Dewey County E911 fund by the BOCC approval to close the fund.
- \$7,827 was transferred from the Emergency Management Planning Grant fund to the Local Emergency Management fund by the BOCC approval to close the fund.

SUPPLEMENTARY INFORMATION

DEWEY COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 33,500	\$ 33,500	\$ -
County Sheriff	903,804	891,183	12,621
County Treasurer	183,450	178,766	4,684
County Commissioners	168,980	168,960	20
County Commissioners O.S.U. Extension	36,371	25,873	10,498
County Clerk	203,600	191,968	11,632
Court Clerk	147,360	147,360	-
County Assessor	132,680	119,579	13,101
Revaluation of Real Property	91,881	87,816	4,065
General Government	9,251,911	973,736	8,278,175
Excise - Equalization Board	8,100	4,417	3,683
County Election Expense	110,825	103,020	7,805
Insurance - Benefits	20,000	8,451	11,549
Charity	100	-	100
Recording Account	400	182	218
Contingency Account	1,500,100	-	1,500,100
Civil Defense	10,850	2,717	8,133
Highway Budget Account	900,001	861,128	38,873
County Audit Budget Account	23,288	1,457	21,831
Free Fair Budget Account	88,000	66,317	21,683
Total Expenditures, Budgetary Basis	\$ 13,815,201	\$ 3,866,430	\$ 9,948,771

**DEWEY COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

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, 2019, 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, 2019, 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 responses that we consider to be material weaknesses: 2019-001, 2019-002, 2019-003, and 2019-004.

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 responses as items 2019-003 and 2019-004.

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 page responses. 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

**DEWEY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2019-001 – Lack of County–Wide Internal Controls (Repeat Finding – 2012-001, 2013-001, 2016-001, 2017-001, 2018-001)

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.

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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 2019-002 – Lack of Internal Controls Over the Disbursement and Payroll Processes (Repeat Finding - 2012-003, 2013-003, 2016-004, 2017-004, 2018-002)

Condition: Upon inquiry and observation of the County’s disbursement and payroll processes and test of thirty-five (35) 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 \$2,386,385 were not disbursed using a purchase order.

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

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

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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.

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.

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.

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.

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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.

Finding 2019-003 – Lack of Internal Controls and Noncompliance Over Presentation of County Sales Tax (Repeat Finding - 2016-005, 2017-005, 2018-003)

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 2019 was \$2,721,488.

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.

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.

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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.

Finding 2019-004 – Lack of Internal Controls and Noncompliance Over Purchasing

Condition: Based on information from interviews performed and documents reviewed, it appears the District 1 County Commissioner contacted vendors for debris removal and instructed them to spread payments out to family members and to a vendor’s multiple businesses to keep the price for each family member and business under the \$15,000 bid limit. The District 1 County Commissioner did not allow the purchasing agent to start the purchasing process in accordance with state statute.

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Months after the April 2018 Rhea fire, the District 1 County Commissioner contacted two separate vendors to assist the County in the removal of debris. A vendor stated that the District 1 Commissioner contacted him to complete debris removal of the Rhea fire and to spread the work out over his multiple businesses and to keep each business under the \$15,000 bid limit. This vendor used six businesses as well as himself to invoice Dewey County for the work performed.

Also, the District 1 County Commissioner's office requisitioned purchase orders for payees that were not capable of performing the work because they did not own or rent the equipment charged on the invoices. A payee stated that she and her business did not perform the work invoiced but her parents did complete the work. Therefore, it appears the District 1 County Commissioner knowingly requisitioned purchase orders and paid individuals incapable of performing the debris removal.

It appears the District 1 County Commissioner's office altered vendor invoices to include dates of service. The vendors' invoices that were turned into Federal Emergency Management Agency (FEMA) for reimbursement did not have dates of service noted. FEMA asked for new invoices that included the dates of service. Updated invoices were submitted to FEMA. However, a vendor stated that he was never asked by Dewey County to include the dates of service on his or his businesses' invoices.

The following provides information concerning the payments made for debris removal, the two vendors contacted to complete the debris removal and their relationships with family members, and the other businesses that assisted in the debris removal process.

Vendor 1

Eight (8) purchase orders can be linked to Vendor 1 and individual family members. Vendor 1 is a construction company and purchase orders were additionally made to the owner of the construction company, the wife of the owner of the construction company, three daughters of the owner of the construction company and one to a daughter's business. The daughter's business is a clothing boutique and hair salon. The clothing boutique and hair salon's invoice had the same invoice number as one of Vendor 1's invoices and the same office and mobile phone numbers. The office and mobile phone numbers listed on the clothing boutique and hair salon's invoice do not match the daughter's clothing boutique and hair salon phone numbers on their website. The phone and mobile phone numbers match the office and mobile phone number of Vendor 1 and the Owner of Vendor 1. It was also noted that the address listed on the invoice was a vacant lot.

Vendor 2

Seven (7) purchase orders can be linked to Vendor 2 and Vendor 2's businesses. Vendor 2 is an individual person, and five (5) of the other six (6) purchase orders are to this individual person's businesses. Vendor 2 admitted that not all his businesses owned bulldozers, and none owned backhoes. Vendor 2 said at the time the work was performed he had access to four trackhoes and at least four bulldozers. Vendor 2 said he may have leased other bulldozers. Six (6) of the seven (7) purchase orders linked to Vendor 2 had different business names with the same address.

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Purchase Orders Issued to Vendors with Ties to Vendor 1

P.O.	Issued to:	Requisitioning Department	Amount
314	Vendor 1	Highway District 1	\$14,880.00
1230	Owner of Vendor 1	Highway District 1	14,998.00
1231	Owner's Daughter 1	Highway District 1	13,010.00
1877	Owner's Daughter's Business	Highway District 1	13,010.00
1878	Owner's Wife	Highway District 1	14,890.00
2299	Owner's Daughter 2	Highway District 1	11,131.00
2300	Owner's Daughter 3	Highway District 1	14,889.00
2737	Vendor 1	Highway District 1	13,010.00
Total			\$109,818.00

Purchase Orders Issued to Vendors with Ties to Vendor 2

P.O.	Issued to:	Requisitioning Department	Amount
310	Vendor 2 Business 1	Highway District 1	\$13,630.00
717	Vendor 2 Business 2	Highway District 1	14,150.00
726	Vendor 2 Business 3	Highway District 1	14,255.00
1316	Vendor 2 Business 4	Highway District 1	13,227.50
1317	Vendor 2 Business 5	Highway District 1	10,005.00
1318	Vendor 2 Business 6	Highway District 1	13,305.00
1319	Vendor 2	Highway District 1	11,825.00
Total			\$90,397.50

Total Issued For RHEA Fire Debris Removal **\$200,215.50**

Cause of Condition: Purchasing procedures outlined in state statute were not followed.

Effect of Condition: This condition resulted in noncompliance with state statutes and individuals being paid for work they did not perform and could result in inaccurate records, incomplete information, or a misappropriation of assets.

Recommendation: OSAI recommends that the County adhere to state purchasing statutes which include the County Commissioner of the District submitting a properly completed, detailed requisition to the purchasing agent. Once the requisition is received by the purchasing agent, they should start the process for soliciting a vendor in a manner that complies with state law and allows for the goods and/or services to be obtained at the best price available in a transparent manner. Further, the county purchasing agent should

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research and confirm that a potential vendor has the necessary skills and equipment to perform the work being solicited.

This finding will be turned over to the District Attorney's office for further consideration.

Management Response:

District 1 County Commissioner: District 1 County Commissioner chose not to respond.

Criteria: The GAO Standards – Overview Section 2 – Establishing an Internal Control System – OV2.23 states in part:

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.

Title 19 O.S. § 1505 (A)(1) states in part, “The requisition shall contain any specifications for an item as deemed necessary by the requesting department.”

Title 19 O.S. § 1505 (A)(3) states in part, “Upon receipt of the requisition, the county purchasing agent, within two (2) working days, shall begin the bidding and purchasing process as process as provided for in this section.”

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STATE AUDITOR & INSPECTOR



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