



DEWEY COUNTY

Financial Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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.

December 16, 2019

TO THE CITIZENS OF
DEWEY COUNTY, OKLAHOMA

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

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

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

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

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	11
Note to Other Supplementary Information.....	12
Schedule of Expenditures of Federal Awards	13
Notes to the Schedule of Expenditures of Federal Awards	14

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	17
Schedule of Findings and Questioned Costs.....	20
Appendix A: Corrective Action Plan (Prepared by County Management).....	32
Appendix B: Summary Schedule of Prior Audit Findings (Prepared by County Management)	34

FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
DEWEY COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Dewey County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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

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

As described in Note 1, 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 statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Dewey County as of June 30, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, 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

October 29, 2019

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:				
County General Fund	\$ 9,369,852	\$ 4,320,325	\$ 3,705,072	\$ 9,985,105
County Highway Cash	3,479,128	5,647,685	4,902,799	4,224,014
Sales Tax - Roads Bridges Public Safety	64,852	1,207,747	1,138,308	134,291
Prisoner Revolving Fund	233,489	248,691	216,221	265,959
County Bridge and Road Improvement Fund	859,138	174,877	194,920	839,095
County Clerk Lien Fee	269,573	83,465	39,667	313,371
Dewey County E911	164,739	43,146	37,444	170,441
County Clerk Records Preservation Fee	118,133	52,235	15,641	154,727
Sheriff Service Fee	63,107	28,038	33,142	58,003
Pre-Paid 911	141,205	31,453	11,760	160,898
Sheriff Commissary Fund	19,055	42,682	38,195	23,542
REAP Grant	-	34,275	34,275	-
Resale Property	35,742	32,951	9,384	59,309
Sheriff DEA Fund	-	25,000	14,671	10,329
County Assessor Revolving	20,039	7,085	3,745	23,379
Local Emergency Management	16,563	3,750	1,174	19,139
Treasurer Mortgage Tax Certification Fee	4,370	1,130	205	5,295
Emergency Management Planning Grant	14,927	-	-	14,927
Sheriff Training	2,434	-	750	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
Combined Total - All County Funds	\$ 14,877,396	\$ 11,984,535	\$ 10,397,373	\$ 16,464,558

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, 2017**

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 as combining information 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 three-quarters (3/4) of one (1) cent sales tax passed on April 1, 2014 to be expended 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 are for the purpose of maintaining bridges and roads.

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

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 911 system.

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

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

Pre-Paid 911 – accounts for the collection of fees from 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. Surplus funds are used for administering of salaries, training, equipment, travel, or capital expenditures.

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.

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 to be used for the County's emergency management program.

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

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

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 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

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

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.

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.

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

3. Other Information

A. Pension Plan

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

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

B. Other Post-Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

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.

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

On April 1, 2014, the voters of Dewey County passed a sales tax proposition to continue the three-quarters (3/4) 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.

The County had \$929,056 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 9,369,852	\$ 9,369,852	\$ -
Less: Prior Year Outstanding Warrants	(113,107)	(113,107)	-
Less: Prior Year Encumbrances	(492,277)	(387,700)	104,577
Beginning Cash Balances, Budgetary Basis	8,764,468	8,869,045	104,577
Receipts:			
Total Receipts, Budgetary Basis	2,145,702	4,320,325	2,174,623
Expenditures:			
Total Expenditures, Budgetary Basis	10,910,170	3,565,290	7,344,880
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	9,624,080	\$ 9,624,080
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		106	
Add: Current Year Outstanding Warrants		130,983	
Add: Current Year Encumbrances		229,936	
Ending Cash Balance		\$ 9,985,105	

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

1. Budgetary Schedules

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Direct Grant			
Payment in Lieu of Taxes	15.226	N/A	\$ 24,062
Total U.S. Department of Interior			<u>24,062</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4109	64,120
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4222	146,426
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4247	689,084
Total U.S. Department of Homeland Security			<u>899,630</u>
Total Expenditures of Federal Awards			<u>\$ 923,692</u>

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

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of 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§ 200.114(f).

Eligible Expenditures Incurred in Prior Fiscal Year – DR-4109

On April 8, 2013 the President of the United States approved a Major Disaster Declaration for Dewey County in response to the winter storm incurred from February 24, 2013 - February 26, 2013. The County incurred \$64,120 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved the addendum to project worksheet 168 in the amount of \$64,120 for this disaster in the fiscal year ending June 30, 2017. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) will include \$64,120 in eligible expenditures incurred in the fiscal year ending June 30, 2015 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2017.

Eligible Expenditures Incurred in Prior Fiscal Year – DR-4247

On December 29, 2015 the President of the United States approved a Major Disaster Declaration for Dewey County in response to severe winter storms and flooding incurred from November 27, 2015 - November 29, 2015. The County incurred \$37,347 in eligible expenditures in the prior fiscal year ending June 30, 2016. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2017. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) will include \$37,347 in eligible expenditures incurred in the fiscal year ending June 30, 2016 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2017.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
DEWEY COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Dewey County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Dewey County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 29, 2019.

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Dewey County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of 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: 2017-001, 2017-004, and 2017-005.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2017-004 and 2017-005.

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

Dewey County's Responses to Findings

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 29, 2019

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

TO THE OFFICERS OF
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, 2017. 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.



Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of 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 2017-013, and 2017-014, 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. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 29, 2019

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

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

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

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

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

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

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

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

Cause of Condition: Policies and procedures have not been designed and implemented to address county-wide controls.

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 and 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. OSAI also recommends the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

District 1 Commissioner: We have started holding meetings to address county-wide controls and will continue to do so.

District 2 Commissioner: I will participate in meetings involving county-wide controls.

District 3 Commissioner: We will meet once a month as County Officers and work diligently to complete the documentation of county-wide controls.

County Clerk: We will start having County Officer’s meetings monthly and discuss county-wide controls.

County Treasurer: The other County Officials and I will meet periodically. These meetings will have a structured agenda which will include items that address fraud risk to the County. It is understood that adequate county-wide controls are an ongoing process of policy.

County Assessor: I will participate in discussions and actions regarding county-wide controls.

County Sheriff: I will follow the recommendations and work with the other officers to formulate policies and procedures to protect the County.

Court Clerk: We will meet monthly to discuss county-wide controls and I will help in any way possible.

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

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.

According to GAO Standard OV1.01, “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.”

Risk Assessment Overview: Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

Monitoring Overview: Since internal control is a dynamic process that has to be adapted continually to the risks and changes an entity faces, monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks. Internal control monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. Corrective actions are a necessary complement to control activities in order to achieve objectives.

Finding 2017-004 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process including Payroll (Repeat Finding – 2012-003, 2013-003, 2016-004)

Condition: 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.

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

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to strengthen internal controls including signature stamps and to ensure compliance with the state statute. Additionally, policies and procedures have not been designed and implemented over the payroll process to properly segregate the payroll duties.

Effect of Condition: These conditions resulted in noncompliance with the 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, secured, and used only by the individual whose name is on the stamp.
- All disbursements should follow the established procedures as defined by state statute.
- Signatures should never be copied or superimposed on County documents. All signatures should be original signatures.
- County funds should be encumbered prior to the receipt of goods and/or services.

Management Response:

District 1 Commissioner: As of now, we are in compliance with issuing a purchase order for the Public Facilities Authority.

District 2 Commissioner: I will get a lock box to place my signature stamp in. We will use a purchase order to disburse sales tax to the Dewey County Public Facilities Authority. The practice of replicating signatures has been stopped.

District 3 Commissioner: I have secured my signature stamp.

County Clerk: Currently, I am recalculating payroll each month based upon prior month employees and comparing my figures with payroll clerks. I will talk to Commissioners about running the sales tax disbursements to the Dewey County Public Facilities Authority (DCPFA) through the purchase order system. I will encourage other offices to follow proper purchasing procedures and implement a written requisition form.

Criteria: GAO Standards 10.03 states in part:

- 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.
- 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

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

manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Additionally, effective internal controls require that management properly implement procedures to ensure that procedures to ensure that purchases are made in compliance with Title 19 O.S. § 1505.

Finding 2017-005 – Inadequate Internal Controls and Noncompliance Over Presentation of County Sales Tax (Repeat Finding – 2016-005)

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 2017 was \$1,407,774.

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 maintain in accordance with state statute and AG opinions.

Management Response:

District 1 Commissioner: As of now, we have taken the steps to be in compliance with the sales tax monies.

District 2 Commissioner: I will approve an additional line item in the General Fund in the Estimate of Needs for sales tax.

District 3 Commissioner: I will participate in a discussion to develop a method to show the sales tax separate.

County Clerk: I will inquire of the officials on adding a line item to the Estimate of Needs for sales tax within the General Fund.

County Treasurer: Regarding presenting the sales tax in a separate account, the County Treasurer will discuss the County's options with the other officers and plan to implement change for the FY 19.

Criteria: GAO Standards 10.03 states in part, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available

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

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.

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 2017-013 – Inadequate County-Wide Internal Controls Over Major Federal Program – 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-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-

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

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 is in compliance with grant requirement.

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

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

Management Response:

District 1 Commissioner: We will run our meetings concerning Federal awards in conjunction with our County-Wide Internal Control meetings to address FEMA.

District 2 Commissioner: I will help facilitate the discussion over county-wide internal controls over FEMA.

District 3 Commissioner: We will meet once month as County Officer's and work diligently to complete the documentation on county-wide controls over federal grants.

County Clerk: I now have access to the Federal Grants Portal and the OEM Grant Portal. The County has recently adopted FEMA procedures. We will continue to develop these procedures and controls over FEMA.

County Treasurer: The Dewey County Officers will have meeting in order to established and implement a policy of internal controls regarding federal programs as required by the Uniform Grant Guidance. It is understood that adequate county wide controls are an ongoing process of policy, communication, risk assessment and monitoring

County Sheriff: I will follow the recommendations and work with the other officers to formulate policies and procedures to protect the County.

Court Clerk: We will meet monthly to discuss county-wide controls over Federal programs and I will help in any way possible.

Criteria: According to GAO Standards OVI.01, "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."

Control Environment Overview: The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management

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

establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

Risk Assessment Overview: Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

Information and Communication Overview: Management uses quality information to support the internal control system. Effective information and communication are vital for an entity to achieve its objectives. Entity management needs access to relevant and reliable communication related to internal as well as external events.

Monitoring Overview: Since internal control is a dynamic process that has to be adapted continually to the risks and changes an entity faces, monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks. Internal control monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. Corrective actions are a necessary complement to control activities in order to achieve objectives.

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 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-

Condition: 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.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with Uniform Grant Guidance.

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

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

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

Management Response:

District 1 Commissioner: We will work with the County Clerk to address the compliance requirements required for FEMA.

District 2 Commissioner: I will participate in discussions regarding compliance over FEMA.

District 3 Commissioner: We will discuss this in County Officer Meetings.

County Clerk: I will work to educate myself and research uniform guidance and forward the information to all parties involved.

County Treasurer: The Dewey County Officers will have a meeting in order to established and implement a policy of internal controls regarding federal programs as required by the Uniform Grant Guidance. It is understood that adequate county-wide controls are an ongoing process of policy, communication, risk assessment and monitoring.

Criteria: GAO Standards 10.03 states in part, “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.”

Additionally, GAO standards 12.02 and 12.04 respectively state the following:

- “Management documents in policies the internal control responsibilities of the organization.”
- “Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.”

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).

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

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

Finding 2017-009 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding – 2012-007, 2013-007, 2016-009)

Condition: 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.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that controls are in place with regards to the Inmate Trust Fund Checking Account and Sheriff Commissary Inventory.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends the following:

- Collections be deposited on a daily basis.
- Expenditures be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531(A).
- All checks issued from the Inmate Trust Fund Checking Account be signed by two individuals.
- Bank statement reconciliations be signed and dated by the preparer and by the reviewer.
- A policy for unclaimed property be formulated.
- Inventory records for commissary items on hand be maintained.

Management Response:

County Sheriff:

- The current jail administrator is making every effort to deposit daily and maintaining records in an orderly fashion.

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

- Our policy is to have two signatures on the inmate trust checks and every effort is being made to make sure that policy is followed.
- The information has been complied and we are getting ready to present unclaimed funds to the court in accordance with the statute.
- Based upon the statute we have changed our policy and will deposit the cost of commissary items sold to inmates into the commissary fund and then pay the vendor.
- The jail administrator prepares bank reconciliations and they are checked by a jailer or the office deputy and will be signed and dated by both.
- We will implement policies and procedures for maintaining an inventory for on-hand commissary item.

Criteria: GAO Standards 10.03 states in part,

- “Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”
- “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.”
- “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.”

Additionally,

- OV2.24 states in part, “Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets”; and
- 13.04 states “Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.”

Title 19 O.S. § 531(A) states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account.” The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the

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

inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

Further, Title 22 O.S. § 1325(F, H) prescribes the procedures for unclaimed funds.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

DEWEY COUNTY COMMISSIONERS

**PO Box 368
Taloga, OK 73667
580-328-5390**

**Dillon Berry
District 1**

**Rupert Irving
District 2**

**Melvin Salsibury, Jr.
District 3**

Corrective Action Plan
in accordance with 2 CFR § 200-511c
for the fiscal year ended June 30, 2017

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Inadequate County-Wide Controls	County Officials will work to assess and identify risks to the County. Officials will also work to formulate policies and procedures to protect the County.	12/7/2018	Misty Randolph
2017-004	Inadequate Internal Controls and Non Compliance Over the Disbursement Process including Payroll	County Clerk will recalculate payroll each month and compare them to the payroll clerks figures. Dewey County Public Facilities Authority sales tax disbursements will be run through the purchase order system. Signature stamps will be kept under lock.	12/4/2018	Misty Randolph
2017-005	Inadequate Internal Controls and Non Compliance Over Presentation of County Sales Tax	County Officials will add a line item to the General Fund to track Sales Tax	7/1/2019	Misty Randolph
2017-013	Inadequate County-Wide Controls Over Major Federal Program-FEMA	County Officials will meet periodically to discuss Internal Controls for Federal Grants Funds including FEMA-The County adopted FEMA Procedures in 2018.	6/4/2018	Misty Randolph
2017-014	Inadequate Internal Controls Over Major Federal Programs - FEMA - CFDA #97.036	The Board of County Commissioners will work with all County Officials to go over all grants and Federal monies that the County receives to ensure that proper internal controls are implemented.	6/4/2018	Misty Randolph
2017-009	Inadequate Internal Controls and Non Compliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund	The current jail administrator is making every effort to deposit daily and maintaining records in an orderly fashion. Our policy is to have two signatures on the inmate trust checks and every effort is being made to make sure that policy is followed. The information has been complied and we are getting ready to present unclaimed funds to the court in accordance with the statute. Based upon the statute we have changed our policy and will deposit the cost of commissary items sold to inmates into the commissary fund and then pay the vendor. The jail administrator prepares bank reconciliations and they are checked by a jailer or the office deputy and will be signed and dated by both. We will implement policies and procedures for maintaining an inventory for on-hand commissary item.	7/1/2018	Clay Sander

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Dewey County Commissioners

PO Box 368
Taloga, OK 73667
580-328-5390

Dillon Berry
District 1

Rupert Irving
District 2

Melvin Salsibury, Jr.
District 3

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200-511b
for the fiscal year ended June 30, 2016**

FINANCIAL AUDIT FINDINGS

There were no findings to present as no prior Federal audits were noted.

O·K·L·A·H·O·M·A
S·A·I
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