

*SINGLE AUDIT REPORTS AND
SUPPLEMENTARY SCHEDULE*

**OSAGE NATION
GOVERNMENTAL PROGRAMS
DEPARTMENT**

September 30, 2017

**OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT**

SEPTEMBER 30, 2017

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**Independent Auditors' 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**

Principal Chief and Honorable Members
of the Osage Nation Congress
Osage Nation
Pawhuska, 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 financial statements of the governmental activities, the General Fund, each major fund, and the aggregate remaining fund information of the Osage Nation Governmental Programs Department ("the Department"), as of and for the year ended September 30, 2017, and the related notes to the basic financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated June 25, 2018, which contained an *Other Matters* paragraph regarding omission of required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 a 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 a 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 of this section 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 one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department's Response to Finding

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

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.

Rose Rock CPAs PLLC

Edmond, Oklahoma

June 25, 2018



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

Principal Chief and Honorable Members
of the Osage Nation Congress
Osage Nation
Pawhuska, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Osage Nation Governmental Programs Department's (the "Department") compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended September 30, 2017. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department'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 the Department'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 the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the Department 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 the Department'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 the Department'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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the General Fund, each major fund and the aggregate remaining fund information of the Department, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated June 25, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rose Rock CPAs PLLC

Edmond, Oklahoma
June 25, 2018

OSAGE NATION**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended September 30, 2017

Federal Grantor and Program Title	Federal CFDA Number	Federal Expenditures
<i>Department of Transportation</i>		
<i>Highway Planning and Construction-Cluster</i>		
Highway Planning and Construction	20.205	\$ 2,274,031
<i>Total Highway Planning and Construction-Cluster</i>		<u>2,274,031</u>
<i>Total Department of Transportation</i>		\$ 2,274,031
<i>Department of the Interior</i>		
Tribal Self-Governance	15.022	\$ 4,091,875
Native American Business Development Institute	15.133	50,738
Land Buy-Back For Tribal Nations	15.152	98,230
Tribal Wildlife Grants	15.639	22,372
Historic Preservation Fund Grants-In-Aid	15.904	49,357
Native American Graves Protection and Repatriation Act	15.922	407
<i>Total Department of the Interior</i>		<u>\$ 4,312,979</u>
<i>United States Department of Justice</i>		
Violence Against Women Discretionary Grants for Indian Tribal Governments	16.587	\$ 268,740
Tribal Youth Program	16.731	12,931
<i>Total United States Department of Justice</i>		<u>\$ 275,474</u>
<i>United States Environmental Protection Agency</i>		
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	\$ 157,825
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424	171,805
Indian Environmental General Assistance Program (GAP)	66.926	113,497
<i>Total United States Environmental Protection Agency</i>		<u>\$ 496,637</u>
<i>Corporation for National and Community Service</i>		
AmeriCorps	94.006	\$ 254,617
<i>Total Corporation for National and Community Service</i>		<u>\$ 254,617</u>
<i>Department of Housing and Urban Development</i>		
Indian Housing Block Grants	14.867	\$ 4,403,254
<i>Total Department of Housing and Urban Development</i>		<u>\$ 4,403,254</u>
<i>National Endowment for the Humanities</i>		
Native American and Native Hawaiian Library Services	45.311	\$ 2,550
<i>Total National Endowment for the Humanities</i>		<u>\$ 2,550</u>

OSAGE NATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year ended September 30, 2017

Federal Grantor and Program Title	Federal CFDA Number	Federal Expenditures
<i>Department of Health and Human Services</i>		
<i>CCDF-Cluster</i>		
Child Care and Development Block Grant *	93.575	\$ 602,271
<i>Total CCDF-Cluster</i>		602,271
<i>TANF-Cluster</i>		
Temporary Assistance for Needy Families *	93.558	98,836
<i>Total TANF-Cluster</i>		98,836
Special Programs for the Aging-Title VI, Part A, Grants to Indian Tribes-Part B, Grants to Native Hawaiians	93.047	194,871
National Family Caregiver Support, Title VI, Part C, Grants To Indian Tribes And Native Hawaiians	93.054	53,374
Special Diabetes Program for Indians-Diabetes Prevention and Treatment Projects	93.237	343,459
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	785,451
Indian Self-Determination	93.441	8,778,452
Promoting Safe and Stable Families	93.556	147,878
Child Support Enforcement	93.563	667,328
Low-Income Home Energy Assistance	93.568	135,300
Community Services Block Grant *	93.569	24,576
Promote the Survival and Continuing Vitality of Native American Languages	93.587	232,391
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	215,850
Head Start	93.600	2,031,803
Demonstration Projects for Indian Health	93.933	13,330
Stephanie Tubbs Jones Child Welfare Services Program	93.645	80,579
<i>Total Department of Health and Human Services</i>		\$ 14,405,749
<i>United States Department of Agriculture</i>		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 3,141,403
Food Distribution Program on Indian Reservations	10.567	869,381
WIC Farmers' Market Nutrition Program (FMNP)	10.572	39,480
Senior Farmers Market Nutrition Program	10.576	32,180
<i>Passed through State of Oklahoma:</i>		
Child and Adult Care Food Program	10.558	240,297
<i>Total United States Department of Agriculture</i>		\$ 4,322,741
<i>Total Expenditures of Federal Awards</i>		\$ 30,748,032

* part of the 477 cluster

The accompanying notes are an integral part of this schedule

**OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT**

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

September 30, 2017

(1) BASIS OF PRESENTATION

The schedule of expenditures of federal awards is a summary of the Department's federal award programs presented on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The information in the schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) RECONCILIATION OF EXPENDITURES

Following is a reconciliation of the expenditures reported on the Department's schedules of expenditures of federal awards to the governmental fund expenditures reported in the Department's statement of revenues, expenditures, and changes in fund balance--governmental funds.

	Year Ended September 30, 2017
Expenditures on schedule of expenditures of federal awards	\$ 30,748,032
DOA expenditures on SEFA not included in governmental programs	(42,450)
Other non-federal expenditures	184,301
General Fund expenditures	<u>51,080,560</u>
Governmental fund expenditures	<u>\$ 81,970,443</u>

(3) SUB-RECIPIENTS

Of the expenditures presented in the schedule, the Department did not provide any awards to sub-recipients.

(4) OUTSTANDING FEDERAL LOANS

The Department has no federal loan obligations as of September 30, 2017.

(5) NONCASH ASSISTANCE

The Department received a total of \$429,799 in noncash, donated food from the U.S. Department of Agriculture (USDA) for the Food Distribution Program on Indian Reservations during the fiscal year ended September 30, 2017, which is included in the Schedule for CFDA Number 10.567.

**OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT**

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS, CONTINUED**

September 30, 2017

(6) INDIRECT COST RATE

The Department has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the year ended September 30, 2017.

**OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2017

SECTION I--SUMMARY OF AUDITORS' RESULTS

Financial Statements

- a. The independent auditors' report on the financial statements expressed an unmodified opinion.
- b. A significant deficiency was reported in the independent auditors' report on internal control over financial reporting as Finding 2017-001.
- c. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.

Federal Awards

- a. There were no material weaknesses or significant deficiencies in internal control over compliance with requirements applicable to major federal award programs reported in the independent auditors' report on internal control over compliance.
- b. The independent auditors' report on compliance for the major federal awards programs expressed an unmodified opinion.
- c. The audit disclosed no findings required to be reported by the Uniform Guidance.
- d. The federal award programs tested as major programs include:

CFDA Number

- | | |
|--|--------|
| EPA Water Pollution Control | 66.419 |
| Circles of Care / Suicide Prevention Program | 93.243 |
| Indian Self-Determination | 93.441 |
| Child Care and Development Block Grant | 93.575 |
| Head Start | 93.600 |
- e. A threshold of \$922,000 was used to distinguish between Type A and Type B programs, as those terms are defined by the Uniform Guidance.
 - f. For the year ended September 30, 2017, the Nation did not qualify as a low-risk auditee, as described by the Uniform Guidance.

**OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

September 30, 2017

SECTION II--FINANCIAL STATEMENT FINDINGS

Compliance Findings

There are no findings reported under this section.

Internal Control Findings

See Finding 2017-001

SECTION III--FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

There are no findings reported under this section.

Internal Control Findings

There are no findings reported under this section.

**OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

September 30, 2017

Finding 2017-001 – Correction of Errors – Significant Deficiency

Finding: We identified certain misstatements in the performance of our audit procedures that required us to propose audit adjustments for the preparation and fair presentation of the Department's financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Condition: During the audit, we identified errors in accounts receivable, accounts payable, retainage payable, and capital assets on the General Fund. We proposed audit adjustments to properly reflect these accounts and the related revenues and expenses.

Context: Applicable primarily to the General Fund activity.

Cause: Certain balance sheet accounts were not properly reconciled and adjusted at year-end.

Effect: Misstatement of balance sheet accounts.

Recommendation: We recommend the Department establish effective financial statement review and reconciliation policies and procedures at all levels of management to ensure all account balances at year-end are properly stated in accordance with GAAP. Additionally, the Department should provide additional training and oversight of staff to ensure they understand the year-end closing entries that are required.

Nation's Response: See accompanying corrective action plan.

OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

September 30, 2017

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS:

FINANCIAL STATEMENT FINDINGS

Finding 2016-001 – Correction of Errors – Significant Deficiency

Finding: We identified certain misstatements in the performance of our audit procedures that required us to propose audit adjustments for the preparation and fair presentation of the Department's financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Condition: During the audit, we identified errors in accounts receivable, accounts payable, retainage payable, and capital assets on the General Fund. We proposed audit adjustments to properly reflect these accounts and the related revenues and expenses.

Context: Applicable primarily to the General Fund activity.

Cause: Certain balance sheet accounts were not properly reconciled and adjusted at year-end.

Effect: Misstatement of balance sheet accounts.

Current Status: Based on our procedures performed for the September 30, 2017 audit, we noted similar errors, see Finding 2017-001.

Finding 2016-002 – Special Diabetes – Annual Financial Reporting Requirement

Finding: The Department did not submit the program's period ending December 31, 2016 annual SF-425 within the required timeframe.

Condition: The U.S. Department of Health and Human Services requires recipients of Special Diabetes funds to submit a final SF-425 report to summarize performance accomplishments within 90 days of the end of the annual grant period. The Nation did not meet required timeframe in which to submit the annual report.

Context: Applicable to the Special Diabetes program.

Cause: The Department failed to gather all required information needed to complete the report so that it could be submitted within the required filing period.

Effect: The Department was not in compliance with the reporting requirements of the Special Diabetes program.

Current Status: Based on our procedures performed for the September 30, 2017 audit, this finding appears to have been corrected.

**OSAGE NATION
GOVERNMENTAL PROGRAMS DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

September 30, 2017

CORRECTIVE ACTION PLAN

The Osage Nation Governmental Programs Department submits the following corrective action plan for the fiscal year September 30, 2017 audit report findings:

Finding 2017-001 – Correction of Errors – Significant Deficiency

Nation's Response: The Department acknowledges this deficiency and the attendant short comings described. There were significant personnel changes in senior financial management in the current period. As the present financial management team settles in and becomes acclimated to the operating environment, effective review and reconciliation policies and procedures will be developed and applied. The goal would be properly stated year-end account balances in accordance with GAAP. In the event additional staff training is desirable, the applicable training shall be provided.

The Osage Nation Treasurer and Controller are responsible for corrective action, and this will be implemented no later than September 30, 2018.