

FINANCIAL AUDIT

ROGER MILLS COUNTY

For the fiscal year ended June 30, 2015



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**ROGER MILLS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

September 6, 2018

TO THE CITIZENS OF
ROGER MILLS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Roger Mills County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**ROGER MILLS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**ROGER MILLS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**ROGER MILLS COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Bordering the Texas panhandle, Roger Mills County was opened to settlement in the land run into the Cheyenne and Arapaho reservations in April 1892. It was designated County “F,” and Cheyenne was the county seat. In November 1892, an election changed the name to honor Roger Q. Mills of Texas, a former United States senator.

The Antelope Hills once marked the international line between the U.S. and Mexico, and Coronado made mention of them as a campsite in 1541. The California Road to the gold mines of the West crossed the area in 1849, commemorated by a marker north of Roll. West of Cheyenne is the marker commemorating the Battle of Washita, where General George Armstrong Custer raided a Cheyenne Indian village on November 27, 1868.

Roger Mills County lies atop the rich Anadarko Basin and has many oil and gas wells. It enjoyed a boom period in the late 1970s and early 1980s, but agriculture is the mainstay and most of the large ranches are still owned and operated by the same families that first settled them. The construction of the first series of upstream dams in the late 1940s at Sandstone followed the ruinous dust storms of the 1930s. These pioneering efforts helped develop land and water conservation projects throughout the U.S.

For more information, call the county clerk’s office at 580/497-3395.

County Seat – Cheyenne

Area – 1,146.46 Square Miles

County Population – 3,761
(2014 est.)

Farms – 678

Land in Farms – 719,291 Acres

Primary Source: Oklahoma Almanac 2015-2016

**ROGER MILLS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Brian Hay
District 2 – Justin Walker
District 3 – Jim Barber

County Assessor

Sarah Batterton

County Clerk

Jimmy Beavin

County Sheriff

Darren Atha

County Treasurer

Bab Coker

Court Clerk

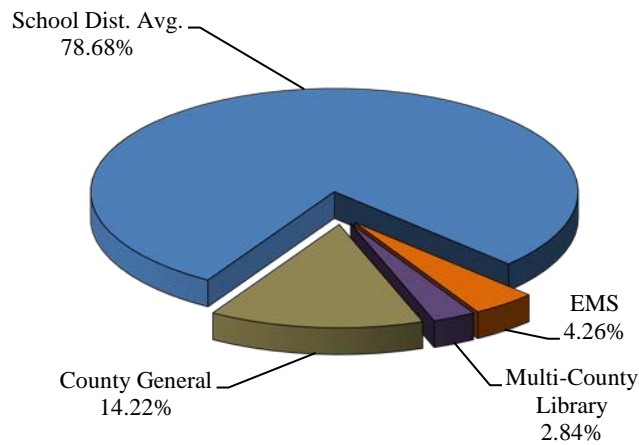
Jan Bailey

District Attorney

Angela Marsee

**ROGER MILLS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

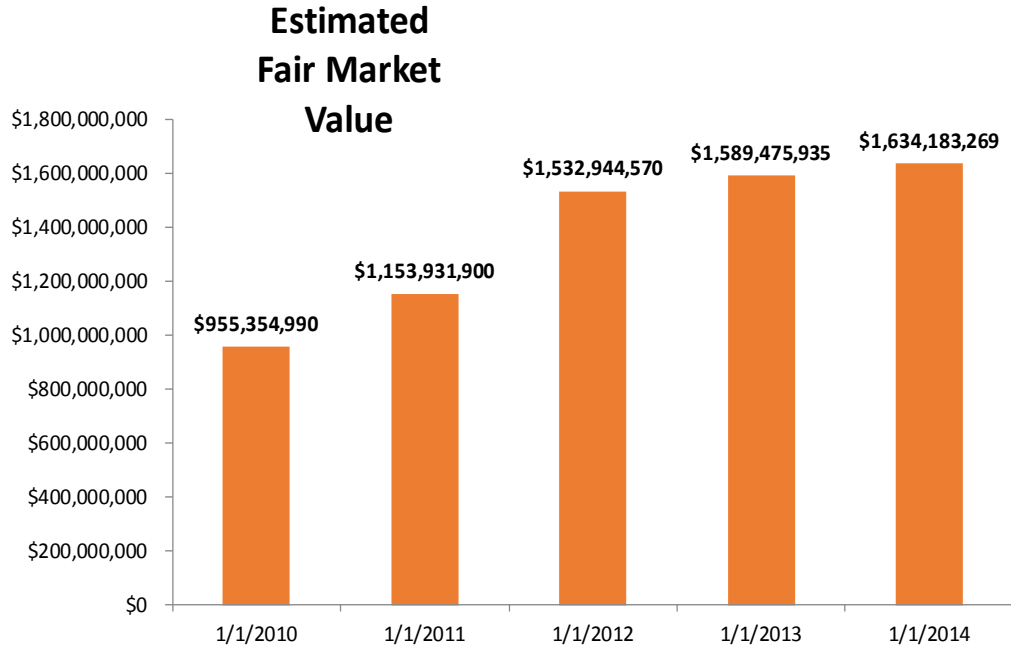
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.57								
Multi-County Library	2.11	Cheyenne	I-7	36.94	5.28	-	-	4.23	46.45
EMS	3.17	Reydon	I-6	37.09	5.30	-	-	4.23	46.62
		Leedey	I-3	37.49	5.36	11.43	-	4.23	58.51
		Sweetwater	I-15	37.73	5.39	-	12.53	4.23	59.88
		Hammon	I-66	36.74	5.25	9.00	12.53	4.23	67.75
		Sayre	J-31	36.47	5.21	6.43	12.53	4.23	64.87
		Merritt	J-2V12	35.30	5.04	8.88	12.53	4.23	65.98
		Elk City	J-6V12	36.07	5.15	-	12.53	4.23	57.98

**ROGER MILLS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

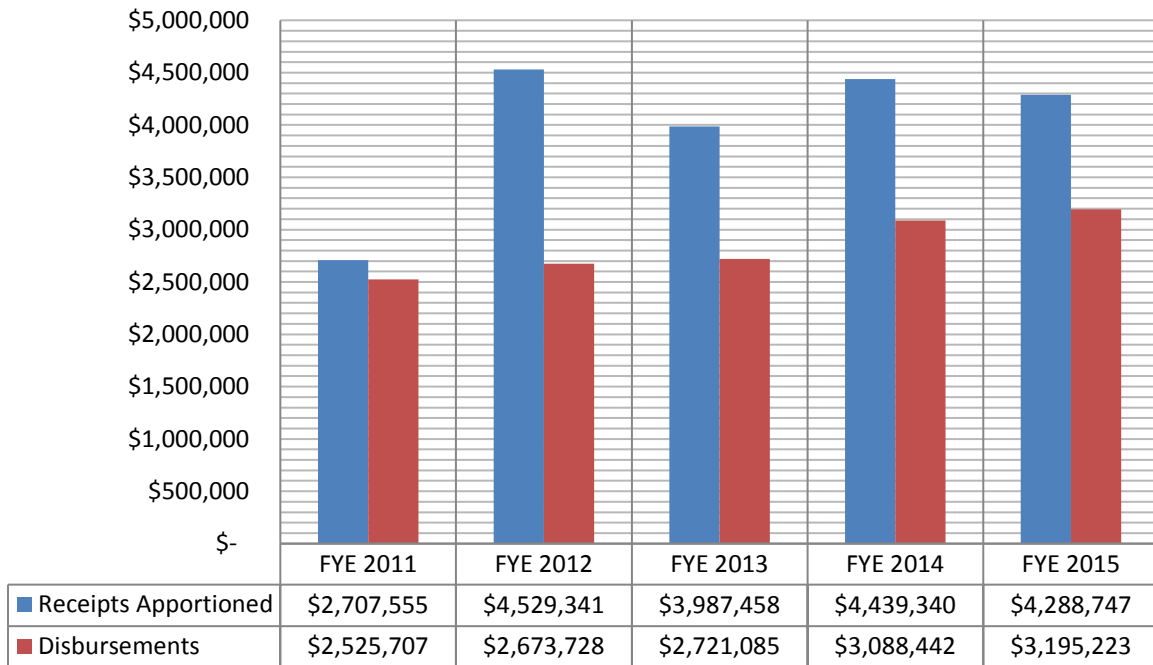
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$167,850,470	\$12,219,394	\$21,834,335	\$966,715	\$200,937,484	\$1,634,183,269
1/1/2013	\$165,331,565	\$7,981,671	\$21,213,860	\$962,690	\$193,564,406	\$1,589,475,935
1/1/2012	\$159,346,420	\$8,044,406	\$20,382,295	\$976,700	\$186,796,421	\$1,532,944,570
1/1/2011	\$114,180,330	\$8,681,292	\$19,732,395	\$987,495	\$141,606,522	\$1,153,931,900
1/1/2010	\$91,093,295	\$8,134,712	\$19,277,245	\$993,878	\$117,511,374	\$955,354,990



**ROGER MILLS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

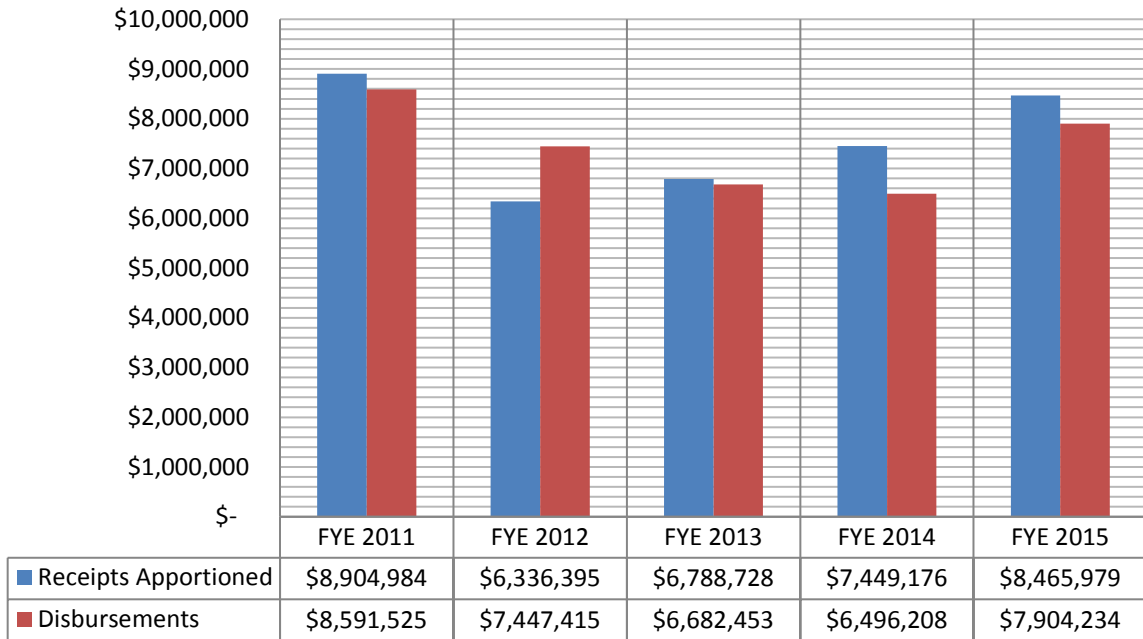
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**ROGER MILLS COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report

TO THE OFFICERS OF
ROGER MILLS 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 Roger Mills County, Oklahoma, as of and for the year ended June 30, 2015, 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 of the financial statement, the financial statement is prepared by Roger Mills 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 Roger Mills County as of June 30, 2015, or changes in its financial position for the year then ended.

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 Roger Mills County, for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

Other Matters

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other 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 Other Supplementary Information, as listed in the table of contents, 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 Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2018, on our consideration of Roger Mills 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Roger Mills County's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

September 5, 2018

REGULATORY BASIS FINANCIAL STATEMENT

ROGER MILLS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balance July 1, 2014	Receipt Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 8,869,736	\$ 4,288,747	\$ -	\$ -	\$ 3,195,223	\$ 9,963,260
County Highway Fund	5,432,735	8,465,979	-	365,665	7,904,234	5,628,815
Roger Mills County Hospital Sales Tax	668,555	3,137,908	-	-	3,724,340	82,123
Rural Fire Sales Tax	1,588,811	435,646	-	-	317,717	1,706,740
Senior Citizens Sales Tax	834,684	222,268	-	-	187,631	869,321
County Free Fair Sales Tax	163,817	99,367	-	-	114,797	148,387
OSU Extension Sales Tax	220,997	78,448	-	-	38,963	260,482
Emergency Management Sales Tax	177,630	39,224	-	-	13,507	203,347
Economic Delevopment Sales Tax	74,109	18,304	-	-	1,000	91,413
Bankhead Jones Monies	-	-	365,665	-	-	365,665
Remaining Aggregate Funds	2,309,905	606,367	-	-	424,802	2,491,470
Combined Total - All County Funds, as Restated	\$ 20,340,979	\$ 17,392,258	\$ 365,665	\$ 365,665	\$ 15,922,214	\$ 21,811,023

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

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Roger Mills County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

Roger Mills County Hospital Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Rural Fire Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Senior Citizens Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Free Fair Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

OSU Extension Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Emergency Management Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Economic Development Sales Tax – accounts for sales tax collected and disbursed as restricted by sales tax ballot.

Bankhead Jones Monies – accounts for the highway portion of direct federal payments received from the U.S. Department of Agriculture. Disbursements are to be used for public roads of the County in compliance with grant provisions.

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. All other funds included in the audit shall be presented in the aggregate in a combining statement.

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.

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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

D. Sales Tax

On May 14, 2013, Roger Mills County voters approved a one and one-half (1.5%) sales tax effective December 1, 2013 and ending on November 30, 2019. The Roger Mills County Hospital Authority is to receive .9 of one cent. The Roger Mills County Rural Fire Departments are to receive .125 of one cent (Cheyenne, Crawford, Hammon, Reydon, Strong City, and Berlin each receiving 14.29% and Leedey and Sweetwater each receiving 7.13%). The remaining .475 of one

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

cent is for the general operation and capital improvements for the Roger Mills County Senior Citizens Centers, the Roger Mills County Civil Defense/Emergency Management, the Oklahoma State University Extension Office, the Roger Mills County Free Fair Board, the Roger Mills County Rural Economic Development, the Roger Mills County General Fund for the Sheriff's Office, the General Government Department, the Election Board Office, and the Excise Board Office.

The sales tax is accounted for in the following funds: Emergency Management Sales Tax, Economic Development Sales Tax, OSU Extension Sales Tax, Rural Fire Sales Tax, Senior Citizen Sales Tax, County Free Fair Sales Tax, Roger Mills County Hospital Sales Tax, and County General Fund.

E. Interfund Transfer

During the fiscal year, the County made the following transfer between cash funds:

- \$365,665 was transferred from the County Highway Fund to the Bankhead Jones Monies fund in order to provide a better accounting of the federal highway funds spent to comply with the provisions of the federal grant award.

F. Restatement

Due to the reclassification of a fund for the fiscal year ended June 30, 2014, the ending balance of the Statement of Receipts, Disbursements and Change in Cash Balalnces included in the prior year audit report is different than the July 1, 2014 beginning balance. The difference is due to reclassifying the Court Fund Payroll fund as a county fund, resulting in an increase in the beginning cash balance of \$10,345.

Prior year ending balance, as reported	\$20,330,634
Fund reclassified to County Funds:	
Court Fund Payroll reclassified from a trust and agency fund to a County Fund	<u>10,345</u>
Prior year ending balance, as restated	<u>\$20,340,979</u>

OTHER SUPPLEMENTARY INFORMATION

ROGER MILLS 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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 8,869,736	\$ 8,869,736	\$ -
Less: Prior Year Outstanding Warrants	(131,671)	(131,671)	-
Less: Prior Year Encumbrances	(21,135)	(18,361)	2,774
Beginning Cash Balances, Budgetary Basis	<u>8,716,930</u>	<u>8,719,704</u>	<u>2,774</u>
Receipts:			
Ad Valorem Taxes	1,769,924	2,409,092	639,168
Charges for Services	20,000	106,267	86,267
Intergovernmental Revenues	45,000	188,830	143,830
Sales Tax	100,000	1,198,681	1,098,681
Miscellaneous Revenues	20,521	385,877	365,356
Total Receipts, Budgetary Basis	<u>1,955,445</u>	<u>4,288,747</u>	<u>2,333,302</u>
Expenditures:			
District Attorney	16,000	6,512	9,488
County Sheriff	801,571	797,589	3,982
County Treasurer	226,604	216,307	10,297
County Commissioners	512,000	243,047	268,953
County Clerk	332,709	315,850	16,859
Court Clerk	146,100	125,830	20,270
County Assessor	161,000	134,563	26,437
Revaluation of Real Property	109,605	94,752	14,853
General Government	4,035,000	641,746	3,393,254
Excise-Equalization Board	25,000	5,963	19,037
County Election Board	91,782	84,565	7,217
Insurance	1,255,000	453,715	801,285
Charity	6,000	1,000	5,000
Civil Defense	69,005	51,005	18,000
County Planning & Zoning Board	18,000	68	17,932
County Flood Planning Board	18,000	414	17,586
Sales & Use Reserves	1,400,000	-	1,400,000
Ad Valorem Reserves	1,400,000	-	1,400,000
County Audit Budget Account	38,999	38,999	-
Public Health Budget Account	1,000	-	1,000
Tick Eradication Account	4,000	2,400	1,600
SWODA	5,000	606	4,394
Total Expenditures, Budgetary Basis	<u>10,672,375</u>	<u>3,214,931</u>	<u>7,457,444</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	9,793,520	<u>\$ 9,793,520</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		112,561	
Add: Current Year Encumbrances		57,179	
Ending Cash Balance		<u>\$ 9,963,260</u>	

ROGER MILLS COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:				
CBRIF 105	\$ 754,654	\$ 247,334	\$ 171,007	830,981
Sheriff Prisoner Revolving	219,790	121,071	81,049	259,812
Court Fund Payroll	10,345	62,185	60,985	11,545
Sheriff Service Fee	323,132	41,862	33,528	331,466
County Clerk Lien Fee	598,184	33,653	-	631,837
911 Dispatch	10,236	32,088	30,170	12,154
County Clerk Records Preservation Fee	282,769	26,705	22,962	286,512
Resale Property	19,125	19,385	9,899	28,611
Assessor Revolving	57,605	8,304	5,041	60,868
Berlin CENA Grant	-	7,337	7,337	-
Courthouse Security	22,304	5,770	-	28,074
Treasurer Mortgage Tax Certification Fee	2,672	670	2,824	518
Assessor Visual Inspection	1,776	3	-	1,779
Reward Fund	10	-	-	10
Sheriff Forfeiture	7,303	-	-	7,303
Combined Total - Remaining Aggregate Funds, as Restated	<u>\$ 2,309,905</u>	<u>\$ 606,367</u>	<u>\$ 424,802</u>	<u>\$ 2,491,470</u>

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Budgetary Schedules

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

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

CBRIF 105 – accounts for County Bridge and Road Improvement Fund (CBRIF) monies for road and bridge construction in the County, meeting County Road Standards, with the County agreeing to provide adequate maintenance over the life of the structures to protect the investment.

Sheriff Prisoner Revolving – accounts for the collection of monies from the Oklahoma Department of Corrections and disbursements are used for the operations of the Sheriff's department.

Court Fund Payroll – accounts for monies received from the Court Clerk's Court Fund for the disbursement of payroll to Court Fund employees.

Sheriff Service Fee – accounts for the collection and disbursements of Sheriff Process service fees as restricted by statute.

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

911 Dispatch – accounts for payments to Public Safety Answering Points (PSAP) call center, including landlines and cell phones. The account is under the direction of Roger Mills County Sheriff to pay dispatchers.

**ROGER MILLS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk and disbursed as restricted by state statute to be used for preservation of records.

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

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

Berlin CENA Grant – accounts for grant money received as reimbursements for nutrition assistance in the community. The funds were disbursed for Community Expansion of Nutrition Assistance.

Courthouse Security – accounts for fees received through the court system to be disbursed for security improvements and operations for the Roger Mills County Courthouse.

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

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

Reward Fund – accounts for a percentage of fines imposed for littering and is used to pay rewards for the arrest and conviction or for evidence leading to the arrest and conviction of any person who violates the provisions of state littering laws.

Sheriff Forfeiture – accounts for money forfeited or money earned from the sale of items forfeited to the Sheriff in relation to drug seizures and disbursements for drug enforcement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct Grant:			
Schools and Roads - Grants to Counties	10.666	N/A	\$ 876,738
Total U.S. Department of Agriculture			<u>876,738</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	10,286
Total U.S. Department of Interior			<u>10,286</u>
Total Expenditures of Federal Awards			<u>\$ 887,024</u>

**ROGER MILLS COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Roger Mills County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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
ROGER MILLS 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 Roger Mills County, Oklahoma, as of and for the year ended June 30, 2015 and the related notes to the financial statement, which collectively comprises Roger Mills County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 5, 2018.

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, 2015, 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 Roger Mills 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 Roger Mills County's internal control. Accordingly, we do not express an opinion on the effectiveness of Roger Mills County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2015-001 and 2015-004.

Compliance and Other Matters

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

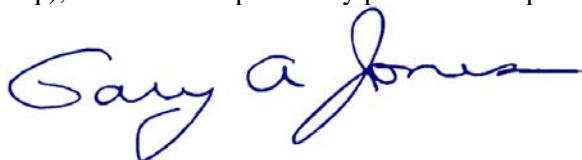
Roger Mills County's Responses to Findings

Roger Mills County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Roger Mills 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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

September 5, 2018



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

TO THE OFFICERS OF
ROGER MILLS COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

We have audited the compliance of Roger Mills County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Roger Mills County's major federal program for the year ended June 30, 2015. Roger Mills 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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Roger Mills County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Roger Mills County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Roger Mills 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. Our audit does not provide a legal determination of Roger Mills County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Roger Mills 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, 2015.

Internal Control over Compliance

Management of Roger Mills County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Roger Mills County's internal

control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Roger Mills County's internal control over compliance.

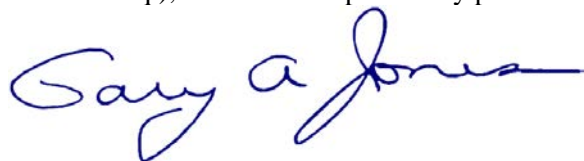
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-006 and 2015-007 to be material weaknesses.

Other Matters

Roger Mills County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Roger Mills County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. 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.

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

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

September 5, 2018

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified 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 section 510(a) of Circular A-133?..... Yes

Identification of Major Program

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.666	Schools and Roads – Grants to Counties

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

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

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015-001 - Inadequate County-Wide Controls

Condition: County-wide controls have not been adequately designed to address Risk Assessment, Information and Communication, and Monitoring.

Cause of Condition: Policies and procedures have not been adequately designed and implemented to address risk assessment, information and communication, and monitoring in the County.

Effect of Condition: Without written documentation of the County-wide controls, it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate the internal controls are present and monitor those controls. These conditions do not allow the County to function in the most effective manner possible with regard to assessing risk, information and communication, and monitoring activities.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the County continue to design procedures to document their internal control framework. This documentation should outline the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman of the Board: We have made effort to make each other more aware of what each office is doing. We examine each article a lot closer. We communicate better to answer any question to be able to prevent problems from arising.

County Clerk: We updated the handbook including the drug policy, cell phone policy, safety book, and adding longevity pay and safety awards to the handbook. Employees will sign off on the handbook and it will be added to their personnel file. We are designing new employee packets.

County Treasurer: We are working on this together in county officers' meetings and working toward communicating more effectively on what each person's responsibilities are. We will be working on OSAI's Form 500, Checklist for Officers' Meetings as well.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

management is responsible for designing a county-wide internal control system comprised of Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

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

Information and Communication are vital components for an entity to achieve its objectives through the use of quality information to support the internal control system. Such quality information should be comprised of the information received from and the control structures surrounding both IT and manual systems for financial reporting purposes. Further, the entity should effectively communicate financial reporting roles and responsibilities concerning all financial reporting matters.

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

Finding 2015-004 – Inadequate Internal Controls Over the Disbursement and Payroll Process

Condition: Upon inquiry of County Officials, observation of the disbursement and payroll processes and testwork, the following exceptions were noted:

- One individual enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees, updates the master payroll file, issues payroll warrants, and removes terminated employees from payroll records.
- County Commissioners' signature stamps are accessible to employees other than the owner of the signature stamp.

Cause of Condition: Policies and procedures have not been fully implemented with regard to the disbursement process to strengthen internal controls over the payroll process and signature stamps.

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

Recommendation: OSAI recommends the following key accounting functions of the payroll process by adequately segregated:

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- Posting new hires and/or making payroll changes to the payroll system,
- Maintaining personnel files, and
- Preparing end of month payroll reports.

Additionally, OSAI recommends signatures stamps remain securely in the custody of the owner.

Management Response:

District 1 Commissioner:

- I have put my signature stamp in a lockbox.

District 2 Commissioner:

- I will maintain possession of my signature stamp from here on out.

District 3 Commissioner:

- I will maintain possession of my signature stamp at all times.

County Clerk:

- The County Clerk has included a 2nd Deputy into the process of payroll, completely segregating the payroll process. A second review is completed as well for all payroll processes.
- The County Clerk will visit with the software provider about implementing software controls over payroll changes.
- The County Clerk will advise the County Commissioners to keep the stamps under lock and key.

Criteria: Accountability and stewardship are overall goals of management in the accounting funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorization, and distribution should be segregated and signatures stamps should be secured and accessible solely to the owner.

An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

SECTION 3—Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Finding 2015-006 – Inadequate County-Wide Controls Over Major Program – Schools and Roads

PASS-THROUGH GRANTOR: Direct Grant

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.666

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL PROGRAM NAME: Schools and Roads – Grants to Counties

FEDERAL AWARD YEAR: 2015

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; and Earmarking

QUESTIONED COSTS: \$-0-

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County is in compliance with federal grant requirements.

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

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

Management Response:

District 1 Commissioner: We will address these issues in the county officers' meeting.

District 2 Commissioner: We will address these issues at the county officers' meeting.

District 3 Commissioner: We will address these concerns in our county officers' meeting.

County Clerk: We will talk about this in the county officers' meeting.

County Treasurer: We are working on this together in county officers' meetings and working toward communicating more effectively on each person's responsibilities. We will be working on OSAI's Form 500, Checklist for Officers' Meetings as well.

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

Control Environment is the foundation of an effective internal control system and begins with the "tone at the top" – the words and actions of management. Under an effective control environment, employees view internal controls as essential and integral to doing their day-to-day job duties.

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Information and Communication is a component of internal control which should allow for effective communication of relevant, accurate, and timely information that is required to meet the County's objectives, including reliable financial reporting, efficient and effective operations, and compliance with laws and regulations.

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

Finding 2015-007 – Inadequate Internal Controls Over Major Programs – Schools and Roads

PASS THROUGH GRANTOR: Direct Grant

FEDERAL AGENCY: U.S. Department of Agriculture

CFDA NO: 10.666

FEDERAL PROGRAM NAME: Schools and Roads – Grants to Counties

FEDERAL AWARD YEAR: 2015

FEDERAL AWARD NUMBER: N/A

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; and Earmarking.

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we 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, and Earmarking.

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

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

**ROGER MILLS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Management Response:

County Clerk: We will talk about this in the county officers' meeting.

County Treasurer: We will work on making sure that everyone is aware of how to locate the compliance requirements and gain an understanding of those requirements.

District 1 Commissioner: We will address this issue in the county officers' meeting.

District 2 Commissioner: We will address these issues at the county officers' meeting.

District 3 Commissioner: We will address these issues in our county officers' meeting.

Criteria: Title 2 *CFR* § 200.508 reads as follows:

The auditee must:

(a) Procure or otherwise arrange for the audit required by this part in accordance with §200.509 Auditor selection, and ensure it is properly performed and submitted when due in accordance with §200.512 Report submission.

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements.

(c) Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with §200.511 Audit findings follow-up, paragraph (b) and §200.511 Audit findings follow-up, paragraph (c), respectively.

(d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.

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



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