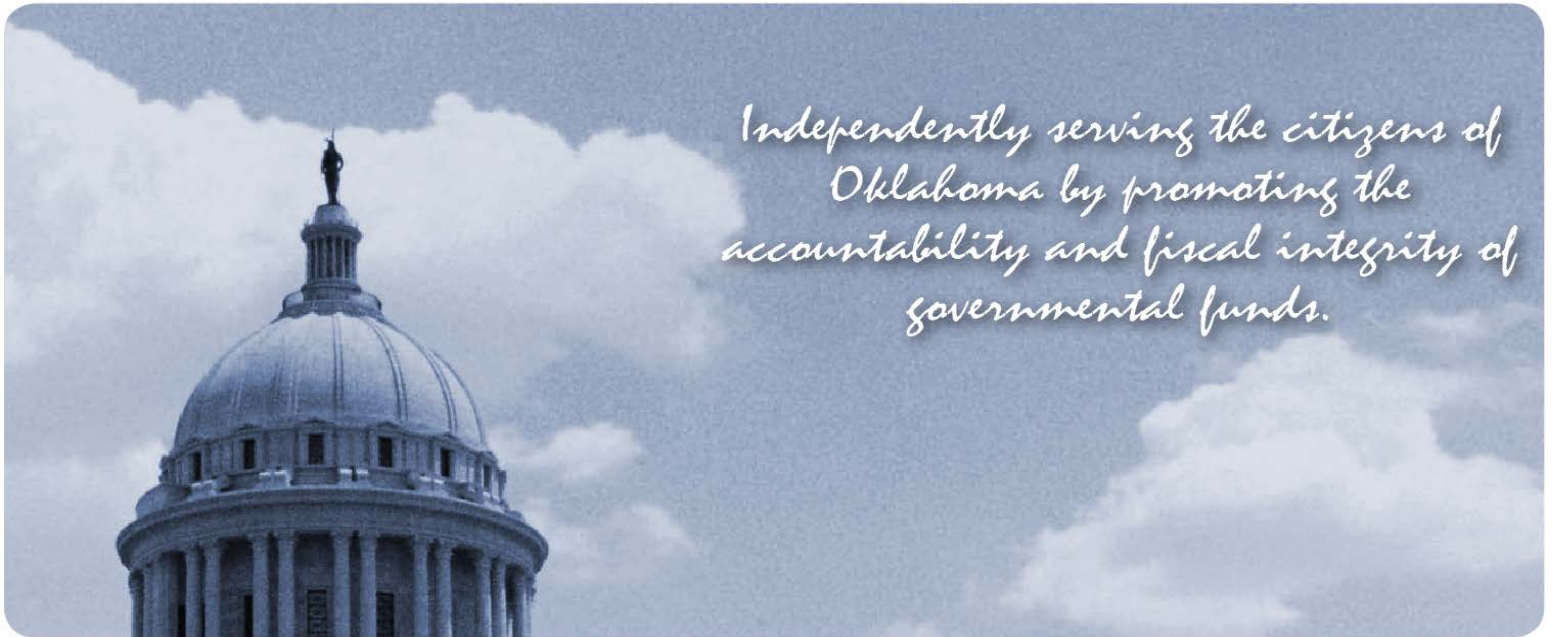


FINANCIAL AUDIT

# ROGER MILLS COUNTY

For the fiscal year ended June 30, 2016



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, 2016**

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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](http://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, 2016. 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, reading "Gary A. Jones". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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

**ROGER MILLS COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**ROGER MILLS COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**ROGER MILLS COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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, 2016**

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**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

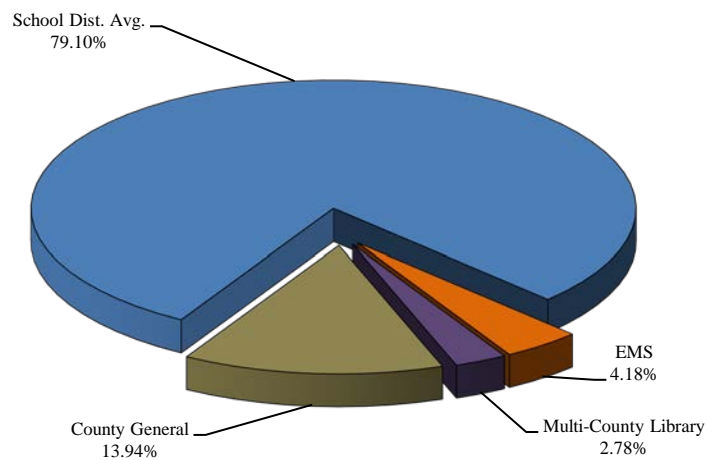
**District Attorney**

Angela Marsee



**ROGER MILLS COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.

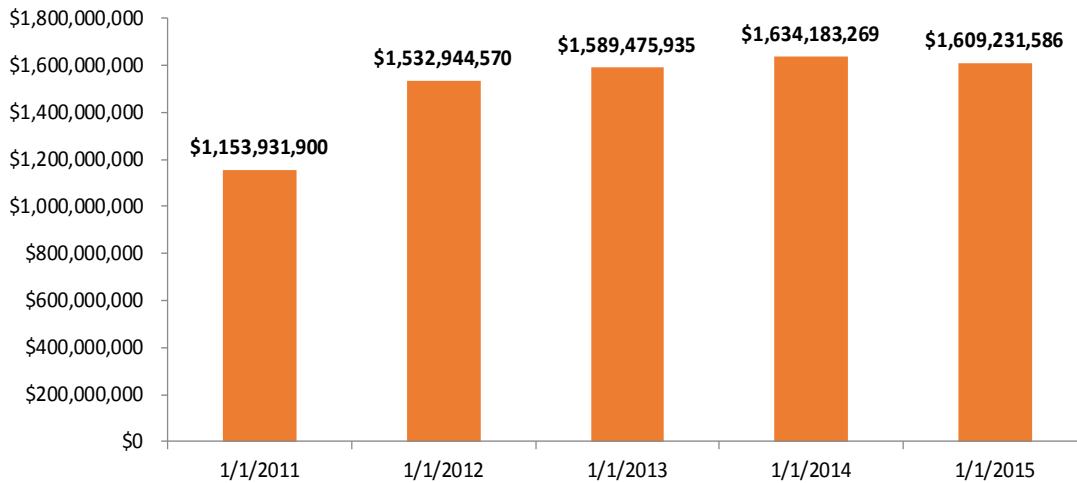


County-Wide Millages			School District Millages						
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.57								
Multi-County Library	2.11	Cheyenne	I-7	36.94	5.28	-	-	4.23	46.45
EMS	3.17	Reydon	I-6	37.09	5.30	-	-	4.23	46.62
		Leedey	I-3	37.49	5.36	11.91	-	4.23	58.99
		Sweetwater	I-15	37.73	5.39	-	12.53	4.23	59.88
		Hammon	I-66	36.74	5.25	8.48	12.53	4.23	67.23
		Sayre	J-31	36.47	5.21	5.98	12.53	4.23	64.42
		Merritt	J-2V12	35.30	5.04	8.07	12.53	4.23	65.17
		Elk City	J-6V12	36.07	5.15	13.04	12.53	4.23	71.02

**ROGER MILLS COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
TREND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$162,881,900	\$14,774,487	\$22,466,860	\$955,020	\$199,168,227	\$1,609,231,586
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

**Estimated  
Fair Market  
Value**

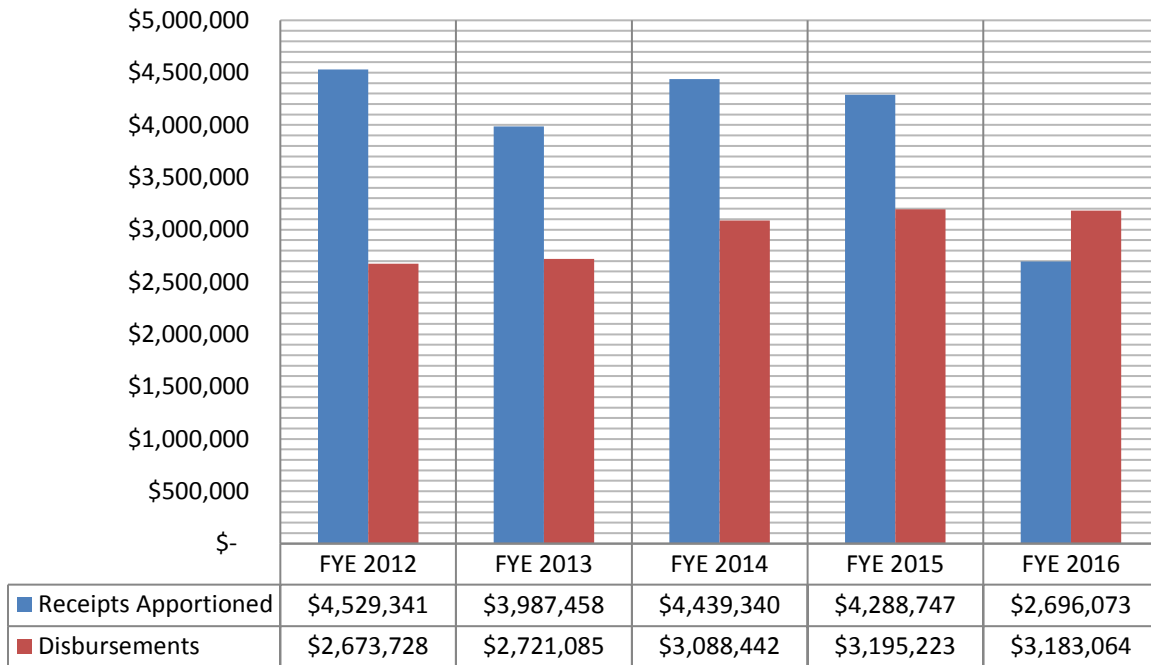


**ROGER MILLS COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## 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.

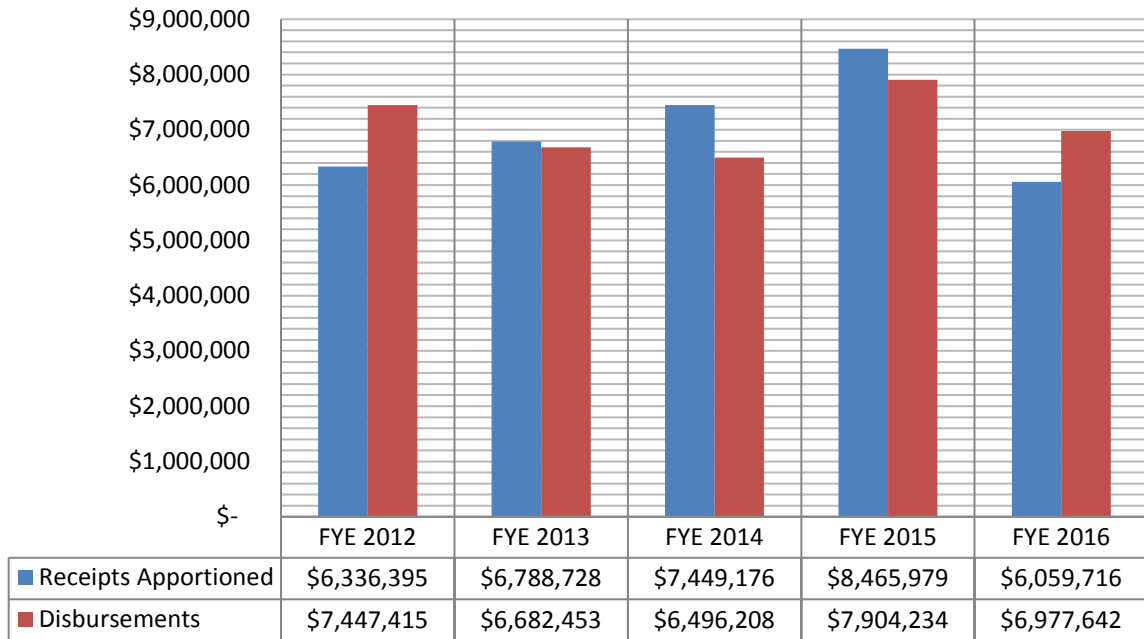


**ROGER MILLS COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## 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 123 • 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, 2016, 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 misstatements 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 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, 2016, 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 Roger Mills County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

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 the Uniform Guidance, 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 fluid and cursive, with the first name "Gary" being the most prominent.

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, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:				
Major Funds:				
County General Fund	\$ 9,963,260	\$ 2,696,073	\$ 3,183,064	\$ 9,476,269
County Highway Fund	5,628,815	6,059,716	6,977,642	4,710,889
Roger Mills County Hospital Sales Tax	82,123	964,305	1,008,761	37,667
Rural Fire Sales Tax	1,706,740	133,878	151,922	1,688,696
Senior Citizens Sales Tax	869,321	68,305	159,998	777,628
County Free Fair Sales Tax	148,387	30,536	63,743	115,180
OSU Extension Sales Tax	260,482	24,126	42,817	241,791
Emergency Management Sales Tax	203,347	12,054	19,832	195,569
Economic Development Sales Tax	91,413	5,625	12,972	84,066
Bankhead Jones Monies	365,665	269,454	168,451	466,668
Roger Mills County Revolving Sales Tax	-	368,365	-	368,365
Remaining Aggregate Funds	2,491,470	585,248	1,303,970	1,772,748
<b>Combined Total - All County Funds</b>	<b>\$ 21,811,023</b>	<b>\$ 11,217,685</b>	<b>\$ 13,093,172</b>	<b>\$ 19,935,536</b>

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, 2016**

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**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, 2016**

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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 – account 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.

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

**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

**ROGER MILLS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

**ROGER MILLS COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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.

**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 percent (1.5%) sales tax effective December 1, 2013 and ending on November 30, 2019. The Roger Mills County Hospital

**ROGER MILLS COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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 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 Revolving Sales Tax 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 Citizens Sales Tax, County Free Fair Sales Tax, Roger Mills County Hospital Sales Tax, and Roger Mills County Revolving Sales Tax.

**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 \$431,105 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2016.

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**



**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, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 9,963,260	\$ 9,963,260	\$ -
Less: Prior Year Outstanding Warrants	(112,561)	(112,561)	-
Less: Prior Year Encumbrances	(57,179)	(53,272)	3,907
Beginning Cash Balances, Budgetary Basis	<u>9,793,520</u>	<u>9,797,427</u>	<u>3,907</u>
Receipts:			
Ad Valorem Taxes	1,754,340	2,246,823	492,483
Charges for Services	20,000	78,488	58,488
Intergovernmental Revenues	40,000	143,003	103,003
Miscellaneous Revenues	<u>35,454</u>	<u>227,759</u>	<u>192,305</u>
Total Receipts, Budgetary Basis	<u>1,849,794</u>	<u>2,696,073</u>	<u>846,279</u>
Expenditures:			
District Attorney	16,000	9,621	6,379
County Sheriff	877,856	826,818	51,038
County Treasurer	211,434	195,902	15,532
County Commissioners	542,000	219,329	322,671
County Clerk	296,091	278,999	17,092
Court Clerk	222,174	113,306	108,868
County Assessor	151,153	140,738	10,415
Revaluation of Real Property	108,881	92,710	16,171
General Government	4,449,058	507,481	3,941,577
Excise-Equalization Board	25,000	3,313	21,687
County Election Board	78,469	70,821	7,648
Insurance	1,130,000	678,695	451,305
Charity	6,000	400	5,600
Emergency Management	62,281	44,281	18,000
County Planning & Zoning Board	18,000	2,400	15,600
County Flood Planning Board	18,000	347	17,653
Sales & Use Reserves	1,700,000	-	1,700,000
Ad Valorem Reserves	1,700,000	-	1,700,000
County Audit Budget Account	19,917	1,169	18,748
Public Health Budget Account	1,000	-	1,000
Tick Eradication Account	5,000	2,400	2,600
SWODA	<u>5,000</u>	<u>606</u>	<u>4,394</u>
Total Expenditures, Budgetary Basis	<u>11,643,314</u>	<u>3,189,336</u>	<u>8,453,978</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>9,304,164</u>	<u>\$ 9,304,164</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		33,213	
Add: Current Year Encumbrances		<u>138,892</u>	
Ending Cash Balance		<u>\$ 9,476,269</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, 2016**

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	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Remaining Aggregate Funds:				
CBRIF 105	\$ 830,981	\$ 191,153	\$ 588,478	\$ 433,656
Sheriff Prisoner Revolving	259,812	121,589	139,649	241,752
County Clerk Lien Fee	631,837	54,596	138,500	547,933
Sheriff Service Fee	331,466	41,366	3,147	369,685
911 Dispatch	12,154	32,088	38,982	5,260
Grants	-	30,695	26,534	4,161
County Clerk Records Preservation Fee	286,512	15,615	263,731	38,396
Resale Property	28,611	7,706	13,083	23,234
Courthouse Security	28,074	5,698	27,680	6,092
Assessor Revolving	60,868	5,304	2,516	63,656
Treasurer Mortgage Tax Certification Fee	518	630	362	786
Court Fund Payroll	11,545	78,804	61,308	29,041
Assessor Visual Inspection	1,779	4	-	1,783
Reward Fund	10	-	-	10
Sheriff Forfeiture	7,303	-	-	7,303
<b>Combined Total - Remaining Aggregate Funds</b>	<u>\$ 2,491,470</u>	<u>\$ 585,248</u>	<u>\$ 1,303,970</u>	<u>\$ 1,772,748</u>

**ROGER MILLS COUNTY, OKLAHOMA**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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.

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

Sheriff Service Fee – accounts for the collection and disbursements of Sheriff process services fees 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.

Grants – accounts for various state and local grants the County received during the year and disbursed as outlined by the grant agreements.

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.

**ROGER MILLS COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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.

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

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, 2016**

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Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Direct Grant:			
Schools and Roads - Grants to Counties	10.666	N/A	\$ 735,095
Total U.S. Department of Agriculture			<u>735,095</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	12,159
Total U.S. Department of Interior			<u>12,159</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	248,345
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222	128,100
Total U.S. Department of Homeland Security			<u>376,445</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,123,699</u>

**ROGER MILLS COUNTY, OKLAHOMA**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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 the Uniform Guidance.

On May 26, 2015, the President of the United States approved a Major Disaster Declaration for Roger Mills County in response to May 5, 2015 through June 22, 2015 for severe storms, tornadoes, straight-line winds, and flooding. The County incurred \$248,345 in eligible expenditures in the prior fiscal year ending June 30, 2015. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2016. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$248,345 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, 2016 of \$128,100.

## **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, 2016, 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, 2016, 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2016-001 and 2016-004.

## **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-004.

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

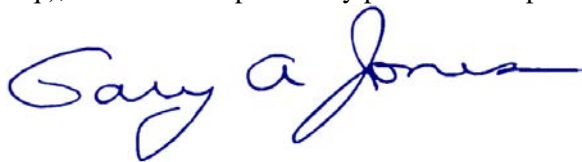
## **Roger Mills County's Responses to Findings**

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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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 the Uniform Guidance**

TO THE OFFICERS OF  
ROGER MILLS COUNTY, OKLAHOMA

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of Roger Mills County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Roger Mills County's major federal program for the year ended June 30, 2016. 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**

Management is responsible for compliance with the requirements of 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Roger Mills County's compliance.

### **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, 2016.

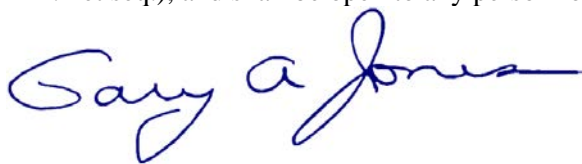
## Report on Internal Control Over Compliance

Management of Roger Mills 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 Roger Mills 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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 2016-008 and 2016-009 to be material weaknesses.

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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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, 2016**

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**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?..... Yes

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported  
in accordance with section 200.516 of the Uniform Guidance?..... No

Identification of Major Programs

CFDA Number(s)

10.666

Name of Federal Program or Cluster

Schools and Roads – Grants to Counties

Dollar threshold used to distinguish between

Type A and Type B programs: ..... \$750,000

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

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 2016-001 - 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 that 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, 2016**

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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 2016-004 – Inadequate Internal Controls and Noncompliance Over the Disbursement and Payroll Process (Repeat Finding 2015-004)**

**Condition:** Upon inquiry of County Officials, observation of the disbursement process 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 persons other than the owner.
- A test of fifty-five (55) purchase orders, reflected the following weakness:
  - Three (3) were not timely encumbered.

**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, and to ensure compliance with state statute.

**Effect of Condition:** These conditions resulted in noncompliance with the state statute over the payroll process and signature stamps, and could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Recommendation:** OSAI recommends the County practice proper purchasing procedures. All purchases should be properly requisitioned according to state statute.

Furthermore, OSAI recommends the following key accounting functions of the payroll process be adequately segregated:

- 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 signature stamps remain securely in the custody of the owner.

**Management Response:**

**District 1 Commissioner:**

- I have put my signature stamp in a lockbox.
- There was a breakdown in communication with the vendor and the County Commissioner was not notified when the trucks would be made available. We did not encumber immediately because the trucks were not immediately available to us.

**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 2<sup>nd</sup> 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 signature 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.



**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Title 19 O.S. § 1505.C prescribes the procedures established for the encumbrance of purchase orders.

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

**Finding 2016-008 – Inadequate County-Wide Controls Over Major Programs – Schools and Roads – Grants to Counties (Repeat Finding 2015-006)**

**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:** 2016

**FEDERAL AWARD NUMBER:** N/A

**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' meetings.

**District 2 Commissioner:** We will address these issues in the county officers' meetings.

**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 what each person's responsibilities will be. We will be working on OSAI's Form 500, Checklist for Officer's Meetings as well.

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 control as essential and integral to doing their day-to-day job duties.

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 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 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 2016-009 – Inadequate Internal Controls Major Programs – Schools and Roads – Grants to Counties (Repeat Finding 2015-007)**

**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:** 2016

**FEDERAL AWARD NUMBER:** N/A

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

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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.

**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.

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

**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.

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 2016-005 - Inadequate Internal Controls Over Fixed Assets Inventory and Noncompliance with State Statutes**

**Condition:** Upon inquiry of County Officials and employees, and observation of fixed assets inventory items, we noted the following conditions:

**District 1 Commissioner**

- One (1) of the fifteen (15) items tested could not be located.
- One (1) of the fifteen (15) items tested did not have an inventory number affixed to the equipment.

**District 2 Commissioner**

- The same individual who maintains the fixed assets inventory records also completes the physical verification.

**District 3 Commissioner**

- The same individual who maintains the fixed assets inventory records also completes the physical verification.

**County Clerk**

- One (1) of the five (5) items tested did not have an inventory number affixed to the equipment.
- Evidence of fiscal year 2016 fixed assets inventory was not retained to document verification.

**County Assessor**

- One (1) of the five (5) items tested was not listed on the County Assessor's fixed assets inventory list.
- Two (2) of the five (5) items tested were not listed on a fixed assets inventory card.

**County Sheriff**

- The same individual who maintains in the inventory records also completes the physical verification.
- Four (4) of the ten (10) items tested did not have an inventory number affixed to the equipment.

**Cause of Condition:** Policies and procedures have not been implemented over the County's fixed assets to ensure compliance with state statutes.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored and equipment is not properly marked with identification numbers, opportunities for misuse or loss of equipment can occur.

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with state statutes by maintaining fixed assets inventory records and performing annual inventory verification from the official fixed assets inventory records of the County and file the annual inventory with the County Clerk.

OSAI further recommends the annual physical fixed assets verifications be performed by someone other than the individual that maintains the fixed assets inventory and documentation of those verifications be signed, dated, and retained to show the operating effectiveness of internal controls implemented by officials.

**Management Response:**

**District 1 Commissioner:**

- This item will be found or disposed of through County Commissioners' meeting.

**District 2 Commissioner:**

- We will assign two employees to conduct the fixed assets inventory and will retain fixed assets inventory documentation.
- We will work to ensure compliance with state statutes.

**District 3 Commissioner:**

- We agree with the auditor's comments and the following action will be taken to improve the situation. We will, in the future, have one individual maintain the fixed assets inventory records and another individual perform the verification in order to maintain better internal controls. The involved individuals have been advised.

**County Clerk:**

- We have affixed identification numbers to all inventory items.
- A deputy and the County Officer will verify the fixed assets inventory once a year and retain documentation of the process.

**County Assessor:**

- We will verify with the County Clerk every time we perform an inventory. This will include comparing lists with the County Clerk and checking inventory cards.

**County Sheriff:**

- Identification numbers will be affixed to all inventory items.
- The Undersheriff and the Administrative Assistant will verify the fixed assets inventory once a year.

**Criteria:** Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets for misappropriation. Title 19 O.S. § 178.1, 19 O.S. § 178.2, 19 O.S. § 1502(A)(1), and 19 O.S. § 1502 (B)(1) provide guidance to the County for maintaining inventory records, and marking assets with a county identification number.

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Finding 2016-006 – Inadequate Internal Controls Over Consumable Inventory and Noncompliance with State Statute**

**Condition:** Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following was noted:

**District 1 Commissioner**

- We were unable to locate:
  - Four (4) containers of Chemical Oust.
  - One-hundred fifty-nine (159) feet of sixteen (16) inch used steel pipe.
  - Fifty (50) feet of Z-24” Sure-Lock plastic pipe.

**District 2 Commissioner**

- The same individual who maintains the consumable inventory records also completes the physical verification.
- Transfer tickets are not consistently printed and signed.

**District 3 Commissioner**

- We were unable to locate eighty (80) pounds of Bermuda grass seed.
- The same individual who maintains the consumable inventory records also completes the physical verification.

**Cause of Condition:** Policies and procedures have not been designed and implemented for the accurate reporting of consumable inventories.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

**Recommendation:** OSAI recommends that policies and procedures be designed and implemented to ensure accurate reporting of consumable inventories and compliance with state statute.

**Management Response:**

**District 1 Commissioner:** We will research these issues and get them corrected.

**District 2 Commissioner:** We will have whoever is going to use the consumable item sign for it.

**District 3 Commissioner:** We do agree with the auditor’s comments and the following actions have taken place in order to make the proper correction. The missing Bermuda Grass Seed was found to be used on a project and has been properly transferred out. I have spoken to our employees and in the future, they have been instructed to turn in all consumables that leave our yard in an attempt to have better internal controls. The involved individuals have been advised.

**ROGER MILLS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Criteria:** Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored, and consumed by their department comply with 19 O.S. § 1504(A).

**APPENDIX A**

**CORRECTIVE ACTION PLAN**

**(Prepared by County Management)**



**BOARD OF COUNTY COMMISSIONER'S  
ROGER MILLS COUNTY, OKLAHOMA**

*P. O. BOX 708 • CHEYENNE, OK 73628  
Office: (580) 497-3365 • Fax: (580) 497-3199*

District # 1  
Brian Hay

District # 2  
Justin Walker

District # 3  
Jim Barber

Secretary  
Kristy Martin

**Corrective Action Plan  
in accordance with 2 CFR § 200.511c  
for the fiscal year ended June 30, 2016**

<b>Finding No.</b>	<b>Title (Financial) or CFDA No. &amp; Program Name (Federal)</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Inadequate County-Wide Controls	The Board of County Commissioners will work with all County Officials to assess and identify risks for the purpose of designing written county-wide internal controls.	July 24, 2017	Jim Barber, BOCC Chairman
2016-004	Inadequate Internal Controls and Noncompliance Over the Disbursement Process (including the Payroll Process)	The County Clerk has implemented controls to improve segregation of duties in regards to payroll. Further, signature stamps will remain in the possession of the person to whom they belong.	June 1, 2017	Jimmy Beavin, County Clerk  Jim Barber, BOCC Chairman
2016-008	10.666 Schools and Roads – Grants to Counties  97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	The Board of County Commissioners will work to implement a risk management plan. We will implement controls to help make sure we comply with all grant requirements and that federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure that employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure that all checks and balances are done correctly.	July 24, 2017	Jim Barber, BOCC Chairman
2016-009	10.666 Schools and Roads – Grants to Counties	The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that Roger Mills County receives to ensure that proper internal controls are implemented.	July 24, 2017	Jim Barber, BOCC Chairman

**APPENDIX B**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**(Prepared by County Management)**

**BOARD OF COUNTY COMMISSIONER'S  
ROGER MILLS COUNTY, OKLAHOMA**

**P. O. BOX 708 • CHEYENNE, OK 73628  
Office: (580) 497-3365 • Fax: (580) 497-3199**

**District # 1  
Brian Hay**

**District # 2  
Justin Walker**

**District # 3  
Jim Barber**

**Secretary  
Kristy Martin**

**Summary Schedule of Prior Audit Findings  
in accordance with 2 CFR 200.511c  
For the fiscal year ended June 30, 2016**

**FINANCIAL AUDIT FINDINGS**

**Finding 2011-001, 2012-001, 2015-001**

**Inadequate County-Wide Controls**

**Finding Summary:** County-wide controls have not been adequately designed to address Risk Management, Information and Communication, and Monitoring.

**Status:** No corrective action taken.

**Finding 2011-004, 2012-004, 2015-004**

**Inadequate Internal Controls Over the Disbursement and Payroll Process**

**Finding Summary:** Duties over the payroll process are not segregated and there are no controls over the signature stamps.

**Status:** No corrective action taken.

**FEDERAL AUDIT FINDINGS**

**Finding 2011-010, 2012-010, 2015-006**

**Inadequate County-Wide Controls Over Major Federal Programs – Schools and Roads – Grants to Counties**

**Pass-Through Grantor:** Direct Grant

**Federal Agency:** U.S. Department of Agriculture – Forest Service:

**CFDA No:** 10.666

**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-

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

**Status:** No corrective action taken.

**Finding 2015-007**

**Inadequate Internal Controls Over Major Programs – Schools and Roads – Grants to Counties**

**Pass-Through Grantor:** Direct Grant

**Federal Agency:** U.S. Department of Agriculture – Forest Service

**CFDA No:** 10.666

**Federal Program Name:** Schools and Roads – Grants Counties

**Federal Award Year:** 2015

**Control Category:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management and Earmarking;

**Questioned Costs:** -0-

**Finding Summary:** Internal controls to ensure compliance with Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management and Earmarking have not been established.

**Status:** No corrective action taken.



OFFICE OF THE STATE AUDITOR & INSPECTOR  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896

[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)