



ROGERS COUNTY

Financial Report

For the fiscal year ended June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

October 28, 2019

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers 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 that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**ROGERS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Board of County Commissioners

District 1 – Dan DeLozier
District 2 – Vacant
District 3 – Ron Burrows

County Assessor

Scott Marsh

County Clerk

Robin Anderson

County Sheriff

Scott Walton

County Treasurer

Jason Carini

Court Clerk

Kim Henry

District Attorney

Matt Ballard

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

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FINANCIAL SECTION

Independent Auditor's Report

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

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



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

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

As described in Note 1, the financial statement is prepared by Rogers County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Rogers 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 Rogers County, for the year ended June 30, 2016, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statement.

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

Rogers County has not presented the budgetary comparison information for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund. Although not a part of the financial statement, such information is an integral part of the regulatory presentation for county government.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019, on our consideration of Rogers County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rogers County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 25, 2019

REGULATORY BASIS FINANCIAL STATEMENT

ROGERS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:						
County General Fund	\$ 4,288,300	\$ 18,206,639	\$ 1,502,099	\$ 1,502,185	\$ 17,933,739	\$ 4,561,114
T-Highway	1,516,888	3,336,597	500,000	500,000	2,655,392	2,198,093
County Health	1,317,609	1,315,221	-	-	1,323,172	1,309,658
Use Tax	-	1,220,803	-	-	1,220,803	-
Sheriff Jail Account	3,102,760	2,790,364	-	-	3,056,258	2,836,866
County Bridge and Road Improvement Fund (CBRIF)	775,488	970,719	-	-	575,754	1,170,453
County Courthouse/911 Project	-	1,319,276	-	-	1,319,276	-
Material Service Lawsuit	-	2,635,914	-	-	2,635,914	-
Material Service Lawsuit -1/8th Sales Tax	-	989,457	-	-	989,457	-
Criminal Justice Authority	236,476	2,864,008	-	-	2,863,690	236,794
Resale Property	791,447	504,690	397,227	350,856	369,222	973,286
Treasurer Mortgage Certification Fee	79,975	19,393	-	-	61,360	38,008
Civil Defense/Emergency Management	46,541	30,000	-	-	47,213	29,328
Sheriff Drug Enforcement	1,545	-	-	-	-	1,545
Sheriff Forfeiture	44,246	-	-	-	42,030	2,216
Sheriff Jail Turnpike	22,601	57,578	-	-	62,909	17,270
Sheriff Civil Fee	141,833	236,628	-	-	264,328	114,133
County Clerk Lien Fee	45,707	30,324	-	-	29,282	46,749
County Clerk Records Preservation	152,561	102,357	-	-	21,545	233,373
Planning Commission Engineering Fees	9,805	9,527	-	-	11,599	7,733
Sheriff Commissary	88,500	348,627	-	-	327,422	109,705
Sheriff Service Fees	24,884	100,791	-	-	71,520	54,155
Dispatch Consolidated Service	107,427	133,440	-	-	-	240,867
Attendant Care	2,505	-	-	-	-	2,505
Community Development Block Grant-						
Advanced Research Chemical, Inc.	80	328,223	-	-	311,933	16,370
Rural Economic Action Plan (REAP) Grants	80,000	67,240	-	-	135,115	12,125
Assessor Revolving	3,276	1,217	-	-	356	4,137
Sheriff Special Account	4,220	30,400	-	-	246	34,374
Sheriff Grants (Oklahoma Highway Safety)	6,558	-	-	-	6,220	338
Courthouse Bond Proceeds	1,186,459	877,877	610,000	610,000	521,928	1,542,408
Wireless Service	749,770	357,589	-	-	424,040	683,319
E-911 Addressing	189,640	56,966	-	-	226,585	20,021
Wireless Prepay 911 Fee	152,171	69,204	-	-	18,353	203,022
Sheriff Courthouse Security	9,092	55,292	-	-	32,423	31,961
Hazard Mitigation	800	-	-	-	-	800
Oklahoma Bar Association Donations for Court Area	1,927	-	-	-	-	1,927
Planning Commission Fee	38,893	77,248	-	-	27,475	88,666
Drug Court Contract	119,069	148,345	-	-	149,161	118,253
Drug Court Participant	25,288	45,653	-	-	37,172	33,769
Combined Total - All County Funds, as Restated	\$ 15,364,341	\$ 39,337,607	\$ 3,009,326	\$ 2,963,041	\$ 37,772,892	\$ 16,975,341

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Rogers 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, county or city-county health departments, 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 with revenues from ad valorem taxes, officers' fees, sales tax, interest earnings, and miscellaneous collections of the County.

T-Highway – accounts for revenues from state-imposed fuel taxes. Disbursements are for the maintenance and construction of county roads and bridges.

County Health – accounts for revenues from ad valorem taxes, miscellaneous fees charged by the health department and state and federal funds. Disbursements are from the operation of the county health department.

Use Tax – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales. Disbursements are for any legal expenditure of the County.

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

Sheriff Jail Account – accounts for revenues from incarceration fees, restitution payments, and contractual payments from the Rogers County Criminal Justice Authority. Disbursements are for the maintenance and operation of the jail, salaries, food, medical expenses, board of prisoners, and travel.

County Bridge and Road Improvement Fund (CBRIF) – accounts for state money received for the construction and/or improvement of bridges within the County.

County Courthouse/911 Project – accounts for the collection of sales tax revenue revenues and disbursement of funds as restricted by the sales tax ballot.

Material Service Lawsuit – accounts for the collection of sales tax revenue. Disbursements are for the payment of the judgment in the Material Services Corporation case as restricted by the sales tax ballot.

Material Services Lawsuit - 1/8th Sales Tax – accounts for the collection of sales tax revenue. Disbursements are for the payment of the judgment in the Material Services Corporation case as restricted by the sales tax ballot.

Criminal Justice Authority – accounts for the collection of sales tax revenue and disbursement of funds as restricted by the sales tax ballot.

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

Treasurer Mortgage Certification Fee – accounts for revenues from fees charged for certifying mortgages. Disbursements are for any lawful expense of the County Treasurer’s office.

Civil Defense/Emergency Management – accounts for the receipt and disbursement of federal and state funds for civil defense and emergency management services.

Sheriff Drug Enforcement – accounts for revenues from the sale of property forfeited in drug cases. Disbursements are for officer training, equipment, and crime prevention.

Sheriff Forfeiture – accounts for revenue from distribution made by the District Attorney after settlement of forfeiture cases. Disbursements are for the purchase of firearms and ammunition.

Sheriff Jail Turnpike – accounts for revenues generated from the agreement between the County and the Turnpike Authority for the County overseeing county inmates picking up trash along the turnpike. Disbursements are for the deputies’ salaries and operating expenses related to the agreement.

Sheriff Civil Fee – accounts for revenues from sheriff process service fees. Disbursements are for any lawful expense of the County Sheriff’s office.

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

County Clerk Lien Fee – accounts for revenues from fees charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk’s office.

County Clerk Records Preservation – accounts for revenues from fees charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Planning Commission Engineering Fees – accounts for the collection of utility permit fees. Disbursements are used for the salaries and general operations of the Planning Commission Office.

Sheriff Commissary – accounts for monies received from commissary sales in the county jail. Disbursements are for jail operations as defined by state statute.

Sheriff Service Fees – accounts for fees charged for serving summons and notices. Disbursements are for any lawful expenditure of the County Sheriff’s office.

Dispatch Consolidated Service – accounts for revenues generated from the contracts between the County/E-911 Dispatch Center and police, fire departments, etc. within Rogers County for dispatch services. Disbursements are for the operations of the E-911 Dispatch Center.

Attendant Care – accounts for the receipt and disbursement of state funds used to pay counselors to sit and spend time with juveniles.

Community Development Block Grant – Advanced Research Chemical, Inc. – accounts for federal grant funds used to build a railroad spur at the Port of Catoosa.

Rural Economic Action Plan (REAP) Grants – accounts for grant revenue from Rural Economic Development to fund improvement projects for schools, water districts, Port of Catoosa, and County.

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

Sheriff Special Account – accounts for revenues from fees collected by the Court Clerk on behalf of the County Sheriff and are used for the operations of the County Sheriff’s office.

Sheriff Grants (Oklahoma Highway Safety) – accounts for revenues from grant monies received from the National Highway Traffic Safety Administration to be used to reimburse the County Sheriff’s office for extra law enforcement shifts put in place to enforce seat belt usage and to deter impaired driving.

Courthouse Bond Proceeds – accounts for excess sales tax and use tax returned from the bank trust after retired payments are made.

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

Wireless Service – accounts for the collection of fees charged on cell phone bills for the County’s emergency 911 system. Disbursements are for expenditures related to providing these services as restricted by state statute.

E-911 Addressing – accounts for the collection of fees charged on telephone bills for the County’s emergency 911 system. Disbursements are for expenditures related to providing these services as restricted by state statute.

Wireless Prepay 911 Fee – accounts for the collection of fees charged on prepaid telephone bills for the County’s emergency 911 system. Disbursements are for expenditures related to providing these services as restricted by state statute.

Sheriff Courthouse Security – accounts for revenues received from court fees and tickets. Disbursements are for expenditures related to Courthouse security costs.

Hazard Mitigation – accounts for federal grant revenues to assist in paying for the County hazard mitigation plan.

Oklahoma Bar Association Donations for Court Area – accounts for grant revenues from the Oklahoma Bar Association used to purchase courtroom projectors.

Planning Commission Fee – accounts for the collection of utility permit fees. Disbursements are used for the salaries and general operations of the Planning Commission Office.

Drug Court Contract – accounts for the contractual payments from the Oklahoma State Department of Mental Health to be used for the operational cost of running the Drug Court Program.

Drug Court Participant – accounts for fees collected from drug court participants to be used to offset the cost associated with running the Drug Court Program.

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

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

governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

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

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. §

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

2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

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.

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

C. Contingent Liabilities

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

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

D. Long Term Obligations

1. Judgments

The County was sued in an inverse condemnation action. Rogers County District Court Case CJ-2004-234 involved a claim for lost profits and mining royalties arising from the annexation of real property into the City of Claremore-Rogers County Metropolitan Planning Area. On May 2, 2012, the plaintiff was awarded \$27,929,657 with interest accruing at \$4,017 per day at the statutory rate of 5.25% for the calendar year 2012 and thereafter at the rate prescribed in Oklahoma Statutes Title 12 O.S. § 727.1. This judgement was paid by the Rogers County Finance Authority through a bond issue that will be repaid with a dedicated sales tax.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Material Service Corporation Lawsuit	3.00 – 4.65%	\$32,375,000

During the fiscal year 2016, the County collected a total of \$3,625,371 in sales tax collections dedicated for the obligation for bonds issued to pay a judgment awarded against the County. This total was comprised of \$2,635,914 from the Material Service Lawsuit fund, and \$989,457 from the Material Service Lawsuit - 1/8th Sales Tax fund. These funds were remitted to the Rogers County Finance Authority. Bonds in the amount of \$945,000 were retired during fiscal year 2016.

Future payments for the retirement of the debt incurred are as follows:

<u>August 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 975,000	\$ 1,191,808	\$ 2,166,808
2017	1,000,000	1,162,558	2,162,558
2018	1,025,000	1,142,558	2,167,558
2019	1,045,000	1,122,058	2,167,058
2020	1,070,000	1,095,933	2,165,933
2021-2025	5,850,000	4,976,375	10,826,375

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

2026-2030	6,950,000	3,872,133	10,822,133
2031-2035	8,650,000	2,160,390	10,810,390
2036	<u>3,950,000</u>	<u>183,675</u>	<u>4,133,675</u>
Total	<u>\$30,515,000</u>	<u>\$16,907,488</u>	<u>\$47,422,488</u>

E. Sales Tax

Sales Tax of May 1, 1997 (Rate change occurred in 2009)

The voters of Rogers County approved a one-half percent (1/2%) sales tax effective May 1, 1997, to be administered by the Rogers County Criminal Justice Authority for the purpose of acquiring a site and erecting, furnishing, equipping, operating, and maintaining a county jail to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County for such purposes. This one-half percent (1/2%) sales tax became effective May 1, 1997, and continues thereafter, but reduced to one-third percent (1/3%) on the earlier of May 1, 2015, or the date of payment or provision for payment of all indebtedness, incurred by or on behalf of Rogers County. The principal debt was retired in 2009 and the sales tax was reduced to one-third percent (1/3%). These funds are accounted for in the Criminal Justice Authority fund.

Sales Tax of December 8, 2009

On December 8, 2009, Rogers County voters approved to extend the one-third of the one-half cent (one-sixth) sales tax, to be administered by the Rogers County Industrial Development Authority for the purpose of erecting, furnishing, equipping, renovating, operating and maintaining county buildings and facilities and acquiring sites therefore and/or to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness incurred by or on behalf of Rogers County for such purpose such sales tax is to commence January 1, 2010, and continue thereafter until the earlier of thirty years from the commencement date or the date of payment or provision for payment of all indebtedness including refunding indebtedness incurred by or on behalf of Rogers County for such purpose. These funds are accounted for in the Courthouse/911 Project fund.

Sales Tax of June 26, 2012

One June 26, 2012, Rogers County voters approved an additional one-third percent (1/3%) sales tax effective July 1, 2012, to be administered by the Rogers County Finance Authority to be applied toward the payment of principal and interest on the judgment obligation of Rogers County. Such sales tax is to commence October 1, 2012 and continue thereafter until said judgment obligation has been paid in full at which time the one-third percent (1/3%) sales tax shall expire. These funds are accounted for in the Material Service Lawsuit fund.

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

Sales Tax of August 13, 2013

On August 13, 2013, Rogers County voters approved the renewal of a one-cent sales tax, which originally began on April 1, 1988. The sales tax was renewed for a period of five years. Proceeds of the sales tax are to be used for the construction, improvement, maintenance, and repair of County roads and bridges, and 12 1/2% of the proceeds to pay the judgment in the Material Services Corporation case. The sales tax proceeds to be used for the construction, improvement, maintenance, and repair of County roads and bridges are accounted for in the County General Fund and the 12 1/2% proceeds used to pay the judgment in the Material Services Corporation case are accounted for in the Material Service Lawsuit - 1/8th Sales Tax fund.

F. 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 \$275,170 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.

G. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds.

- \$500,000 was transferred from the T-Highway fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.

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

- \$500,000 was transferred from the County General Fund to the T-Highway fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$450,000 was transferred from the Courthouse Bond Proceeds fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$450,000 was transferred from the County General Fund to the Courthouse Bond Proceeds fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$350,000 was transferred from the Resale Property fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$350,000 was transferred from the County General Fund to the Resale Property fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$9 was transferred from the Cities and Towns Remit fund (a trust and agency fund) to the County General Fund to correct an apportionment error from fiscal year 2014.
- \$1 was transferred from the Clearing Account fund (a trust and agency fund) to the County General Fund to correct an apportionment error from fiscal year 2011.
- \$1,389 was transferred from the Non-Sufficient Funds (NSF) Check fund (a trust and agency fund) to the County General Fund to correct two Treasurer's checks #263 and #265 from fiscal year 2015 that were recorded as debits to the County General Fund instead of being posted as debits to the Non-Sufficient Funds (NSF) Check fund for payment of insufficient checks.
- \$700 was transferred from the Resale Property fund to the County General Fund to correct a disbursement error from fiscal year 2015.
- \$200,000 was transferred from the Emergency and Transportation Revolving fund (a trust and agency fund) to the County General Fund to reimburse the County General Fund for road and bridge projects.
- \$200,000 was transferred from the County General Fund to the Emergency Transportation and Revolving fund (a trust and agency fund) to repay an Emergency and Transportation Revolving loan.
- \$156 was transferred from the Resale Property fund to the Tax Refunds fund (a trust and agency fund) to correct a disbursement error from fiscal year 2015.

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

- \$160,000 was transferred from the Courthouse Bond Proceeds fund to the Fairboard fund (a trust and agency fund) to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$160,000 was transferred from the Fairboard fund (a trust and agency fund) to the Courthouse Bond Proceeds fund for the repayment of the loan in accordance with 68 O.S. § 3021.
- \$47,227 was transferred from the Tax Refunds All Years fund (a trust and agency fund) to the Resale Property fund to correct refund disbursement errors from 2011 through 2014.
- \$1,607 was transferred from the County General Fund to correct a deposit/apportionment error from fiscal year 2013. Miscellaneous Receipt 948 was issued on April 30, 2013 for \$1,607 from the Office of Juvenile Affairs; however, the funds were not actually received by the County.
- \$578 was transferred from the County General Fund to correct a warrant reversal error from fiscal year 2014.

H. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Planning Commission Fee, Drug Court Contract, and Drug Court Participant were reclassified as a county funds and represents revenues and expenditures of the County Planning Commission and the County Drug Court program.

Prior year ending balance, as reported	\$15,181,091
Funds reclassified from Trust and Agency Funds to County Funds:	
Planning Commission Fee	38,893
Drug Court Contract	119,069
Drug Court Participant	<u>25,288</u>
Prior year ending balance, as restated	<u>\$15,364,341</u>

OTHER SUPPLEMENTARY INFORMATION

ROGERS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

County Health Department Fund			
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,317,609	\$ 1,317,609	\$ -
Less: Prior Year Outstanding Warrants	(89,014)	(89,014)	-
Less: Prior Year Encumbrances	(18,150)	(9,492)	8,658
Beginning Cash Balances, Budgetary Basis	1,210,445	1,219,103	8,658
 Total Receipts, Budgetary Basis	 1,204,586	 1,315,221	 110,635
 Total Expenditures, Budgetary Basis	 2,415,031	 1,506,018	 909,013
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 1,028,306	 \$ 1,028,306
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		271,900	
Add: Current Year Outstanding Warrants		9,452	
Ending Cash Balance		\$ 1,309,658	

**ROGERS COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Budgetary Schedules

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

The Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund has not been presented. Therefore, the legally adopted budget cannot be compared with actual data for the General Fund. The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
ROGERS 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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Rogers County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprises Rogers County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 25, 2019.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 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 Rogers 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 Rogers County's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogers 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 and significant deficiencies.



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 responses to be material weaknesses: 2016-001, 2016-007, 2016-008, 2016-009, and 2016-012.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiency: 2016-017.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rogers County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items: 2016-008 and 2016-009.

We noted certain matters regarding statutory compliance that we reported to the management of Rogers County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Rogers County's Response to Findings

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 25, 2019

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Finding 2016-001 – Inadequate County-Wide Controls (Repeat Finding – 2008-003, 2009-003, 2010-003, 2011-004, 2012-004, 2012-004, 2013-004, 2014-003, 2015-003)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that 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 address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken 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:

District 1 County Commissioner: The Board of County Commissioners (BOCC) of Rogers County is implementing policies and procedures to ensure the financial statements accurately reflect the County’s financial position. The BOCC will continue to work with all elected officials to ensure Rogers County’s financial statements are an accurate and complete representation of the County. Additionally, at the beginning of fiscal year 2017-2018, the Rogers County BOCC appointed their Executive Administrative Assistant to maintain and prepare the annual Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year reported. Once the SEFA is completed, it is then presented to the BOCC during a scheduled BOCC meeting for their review and approval. Rogers County will continue to develop procedures and implement internal controls to ensure compliance with all Federal requirements. Furthermore, the County will work towards assessing and identifying risks to design written county-wide controls.

District 2 County Commissioner: The BOCC of Rogers County is implementing policies and procedures to ensure the financial statements accurately reflect the County’s financial position. The BOCC will continue to work with all elected officials to ensure Rogers County’s financial statements are an accurate and complete representation of the County. Additionally, Rogers County will be implementing a Standard Operation Procedure (SOP) in order to be in compliance with Federal requirements for SEFA reporting.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The SOP will be adopted by Rogers County through the BOCC to develop internal control procedures within Rogers County to report expenditures and revenues for all federally awarded programs. Rogers County elected officials and department heads will be responsible for the accurate accounting and reporting of all federal awards. Rogers County will adopt internal controls to monitor compliance with laws and regulations pertaining to grant contracts. Procedures will be written policies and procedures for SEFA reporting that will be included in Rogers County's policies and procedures handbook. Furthermore, the County will work towards assessing and identifying risks to design written county-wide controls.

District 3 County Commissioner: The BOCC of Rogers County is implementing policies and procedures to ensure the financial statements accurately reflect the County's financial position. The BOCC will continue to work with all elected officials to ensure Rogers County's financial statements are an accurate and complete representation of the County. Rogers County will be implementing a Standard Operation Procedure (SOP) in order to be in compliance with Federal requirements for SEFA reporting. The SOP will be adopted by Rogers County through the BOCC to develop internal control procedures within Rogers County to report expenditures and revenues for all federally awarded programs. Rogers County elected officials and department heads will be responsible for accurate accounting and reporting of all federal awards. Rogers County will adopt internal controls to monitor compliance with laws and regulations pertaining to grant contracts. Procedures will be written policies and procedures for SEFA reporting that will be included in Rogers County's policies and procedures handbook. Furthermore, the County will work towards assessing and identifying risks to design written county-wide controls.

County Clerk: This issue occurred during the previous County Clerk's term. Since taking office in January 2017, I have worked with the other elected officials to develop policies and procedures to ensure compliance with federal reporting requirements on the SEFA. The County Clerk's office will continue to work with the other elected officials to comply with all SEFA reporting requirements. Additionally, the County Clerk's office will work with county officials to implement policies and procedures to ensure adequate internal controls are in place to ensure the preparation and accuracy of the financial statements. Furthermore, the County will work towards assessing and identifying risks to design written county-wide controls.

County Treasurer: The County Treasurer's office will continue to accurately record transactions on the underlying financial records used in the preparation of the SEFA and the County's financial statements. The County Treasurer's office will work with elected officials to comply with all SEFA reporting requirements and to implement internal control policies and procedures, such as reviewing the financial statements after presented by the preparer, to ensure the accuracy of the County's financial statements. Furthermore, the County will work towards assessing and identifying risks to design written county-wide controls.

Criteria: The United States Government Accountability Office's Standards for Internal Control in the Federal Government (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

According to GAO Standard OV1.01, “internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.” The GOA Standards additionally define components of internal controls as follows:

Control Environment Overview: The foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

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

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

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

Finding 2016-007 – Inadequate Internal Controls Over Presentation of Financial Statement

Condition: The County is responsible for preparing their annual financial statements and applicable footnotes. However, this required information was not submitted to and received by OSAI until February 26, 2018, approximately twenty months after the June 30, 2016 fiscal year end.

Additionally, during the review and reconciliation of the financial statements, as initially prepared by the County, OSAI determined the financial statements were materially misstated due to the following:

- County funds and transfers were not accurately classified resulting in apportionments and disbursements being understated \$2,893,482 and \$2,903,921, respectively.
- The County issued purchase orders and warrants totaling \$685,357 between County funds further overstating both disbursements and apportionments. Due to the complexity of these transactions only the County General Fund’s apportionments and disbursements were adjusted by \$552,536 each; resulting in \$132,821 in unadjusted misstatements.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

These errors resulted in cash receipts and cash disbursements being understated \$2,340,946 and \$2,351,385, respectively. Cash receipts were reported at \$36,996,661; however, actual cash receipts were \$39,337,607. Cash disbursements were reported at \$35,421,507; however, actual cash disbursement \$37,772,892.

	<u>Apportionments</u>	<u>Disbursements</u>
As Initially Reported by the County	\$ 36,996,661	\$ 35,421,507
Plus: Understatement Due to Fund and Transfer Classification Errors	2,893,482	2,903,921
Less: Overstatement Due Warrants Issued Between Funds	(685,357)	(685,357)
Plus: Unadjusted Misstatements	<u>132,821</u>	<u>132,821</u>
Final as Reported	\$ <u>39,337,607</u>	\$ <u>37,772,892</u>
Understatement	<u>\$ (2,340,946)</u>	<u>\$ (2,351,385)</u>

In addition, beginning and ending cash balances were reported at \$15,100,083 and \$16,721,520, respectively. However, the actual beginning fund balance was \$15,364,341 and the actual ending fund balance was \$16,974,341 resulting in beginning and ending fund balances being understated \$264,258 and \$253,821, respectively,

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's financial statement, notes to the financial statement, and supplemental information is accurately presented.

Effect of Condition: These conditions resulted in revenues and disbursements reported on the County's financial statement to be materially overstated.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure:

- Purchase orders and warrants are not issued between funds.
- Financial statements, notes to the financial statements, and supplemental information are prepared in a timely manner, reviewed for accuracy and completeness, and approved by management.

OSAI also recommends the County present financial statements and applicable footnotes to OSAI for review within two months of fiscal year end.

Management Response:

Chairman of the Board of County Commissioners/District 2 County Commissioner: The BOCC of Rogers County is implementing policies and procedures to ensure the financial statements accurately reflect the County's financial position and are submitted to OSAI in a timely manner. The BOCC will continue to

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

work with all elected officials to ensure Rogers County's financial statements are an accurate and complete representation of the County.

District 1 County Commissioner: The BOCC of Rogers County is implementing policies and procedures to ensure the financial statements accurately reflect the County's financial position and are submitted to OSAI in a timely manner. The BOCC will continue to work with all elected officials to ensure Rogers County's financial statements are an accurate and complete representation of the County.

District 3 County Commissioner: The BOCC of Rogers County is implementing policies and procedures to ensure the financial statements accurately reflect the County's financial position and are submitted to OSAI in a timely manner. The BOCC will continue to work with all elected officials to ensure Rogers County's financial statements are an accurate and complete representation of the County.

County Clerk: This finding occurred during the previous County Clerk's term. Since taking office, the County Clerk's Office has worked with elected officials to develop policies and procedures to ensure the financial statements accurately reflect the County's financial position and are submitted to OSAI in a timely manner. The County Clerk will continue to work with all elected officials to ensure Rogers County's financial statements are an accurate and complete representation of the County.

County Treasurer: The County Treasurer's office will continue to accurately record transactions on the underlying financial records used in the preparation the County's financial statements and will continue to work with elected officials to ensure the County's financial statements are accurate and complete representation of the County. Additionally, the County Treasurer's office is working with the County Clerk and all other elected officials to develop policies and procedures to ensure general fund revenues are reported properly and the financial statements are accurate and submitted to OSAI in a timely manner.

Criteria: The County is required to present a financial statement for each fiscal year ended June 30. Title 19 O.S. § 171 states, in part, "Unless the county elects to prepare its financial statement in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board, the county shall present their financial statements in a regulatory basis of accounting."

The limitations of the auditor are described in the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards AU-C § 210, which states, in part: "The concept of an independent audit requires that the auditor's role does not involve assuming management's responsibility for the preparation and fair presentation of the financial statements or assuming responsibility for the entity's related internal control and that the auditor has a reasonable expectation of obtaining the information necessary for the audit insofar as management is able to provide or procure it. Accordingly, the premise is fundamental to the conduct of an independent audit."

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-008 – Inadequate Internal Controls and Noncompliance Over County Sales Tax (Repeat Finding – 2008-016, 2009-016, 2010-015, 2014-017, 2015-013)

Condition: On April 1, 1997, the voters of Rogers County approved a one-half percent (1/2%) sales tax to be administered by the Rogers County Criminal Justice Authority (the Authority) for the purpose of acquiring a site and erecting, furnishing, equipping, operating, and maintaining a county jail. This sales tax was to be reduced to one-third (1/3%) on May 1st, 2015 or upon the payment of principal and interest on any indebtedness incurred by or on behalf of Rogers County for such purposes. In fiscal year 2016, the collections of this one-third percent (1/3%) sales tax was apportioned to the Criminal Justice Authority fund.

During our review of these sales tax collections, apportionments, and disbursements the following was noted:

- The County did not pay out these collections to the Authority as required by the sales tax ballot.
- The County issued \$108,690 in purchase orders and warrants from the Criminal Justice Sales Tax Revolving Fund to pay for the Authority's financial statement preparation, audit costs, and to reimburse the County General fund for insurance premiums.
- The County transferred \$2,755,000 in sales tax collections from the Criminal Justice Sales Tax Revolving Fund to the Sheriff Jail Fund to pay for contractual obligation of the Authority.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with AG Opinion and 68 O.S. 1370E.

Effect of Condition: These conditions resulted in noncompliance with AG Opinion and state statutes, and could result in unrecorded transactions, misstated financial reports, undetected errors, and the misappropriation of funds.

Recommendation: OSAI recommends sales tax be maintained in such a manner as to provide assurance that apportionments and expenditures are made in accordance with the purposes specified by the sales tax ballots as outlined by AG Opinion and Title 68 O.S. § 1370E. We further recommend that transfers between funds comply with 68 O.S. § 3021.

Management Response:

Chairman of the Board of County Commissioners: Rogers County has implemented policies and procedures to ensure the apportionment and expenditure of County sales tax collections comply with the sales tax ballot and state statute.

District 1 County Commissioner: Rogers County has implemented policies and procedures to ensure the apportionment and expenditure of County sales tax collections comply with the sales tax ballot and state statute.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

District 3 County Commissioner: Rogers County has implemented policies and procedures to ensure the apportionment and expenditure of County sales tax collections comply with the sales tax ballot and state statute.

County Clerk: This finding occurred during the previous County Clerk's administration. Since taking office, the County Clerk's office has worked with elected officials to implement policies and procedures to ensure the apportionment and expenditure of County sales tax collections comply with the sales tax ballot and state statute.

County Treasurer: The County has corrected the issue of co-mingling funds. In March of 2018, the Criminal Justice Authority Fund was established as a trust fund within the County's Official Depository bank account. The County sales tax collections were then, as always, deposited into the County Sales Tax Revolving fund. However, with the establishment of the Criminal Justice Authority's fund in the County's Official Depository account, sales tax collections were then paid out to the Criminal Justice Authority (Authority) by P.O. and warrant from the sales tax revolving fund. The payments were then deposited into the Authority's trust fund within the County's Official Depository to prevent the co-mingling of County and Authority funds. Any disbursements of the Authority were made from the trust fund within the County's Official Depository bank account. Then, to even better distinguish between County funds and Authority funds, the Authority established its own bank account in June of 2019 and all the Authority's funds were moved from the County's Official Depository bank account to the Authority's bank account.

Criteria: GAO Standards states in part, OV2.23 "Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements."

6.05 "Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment."

Title 68 O.S. § 1370E requires sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370;

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm'rs, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

Additionally, Title 68 O.S. § 3021 states in part, “If at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board...may temporarily transfer from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from... Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the finds were transferred.”

Finding 2016-009 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding – 2005-002, 2006-004, 2008-006, 2009-006, 2010-006, 2011-002, 2012-002, 2013-002, 2014-002, 2015-002)

Condition: Upon inquiry of County personnel, observation of the County’s disbursement process, and testwork performed, we noted the following:

The review of a sample of forty-seven (47) of the fifty-seven thousand one hundred and twenty-seven (57,127) disbursements reflected the following:

- One (1) purchase order totaling \$1,037 was not reviewed and authorized.

Fund	Responsible Office	Purpose	Warrant	Amount
County General Fund	County Sheriff	Computer and software	1553	\$1,037

- Three (3) disbursements totaling \$55,547 were not supported by adequate documentation. County General Fund warrant 2428 and Sheriff Forfeiture warrant 1 were not supported by any documentation including a purchase order. Community Development Block Grant-Advanced Research Chemical, Inc warrant 2 was not supported by an invoice and a receiving report.

Fund	Responsible Office	Purpose	Warrant	Amount
County General Fund	BOCC	Publication	2428	\$97
Sheriff Forfeiture	County Sheriff	Firearm	1	\$20,450
Community Development Block Grant-Advanced Research Chemical, Inc	BOCC	Grant Reimbursement Payment	2	\$35,000

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- Seven (7) disbursements totaling \$146,240, were not encumbered prior to receiving goods or services.

Fund	Responsible Office	Purpose	Warrant	Amount
County General Fund	County Sheriff	Detention Services	2435	\$2,281
County General Fund	District 2	Contractual Services	697	\$31,992
Drug Court Contract	Drug Court	Professional Services	14	\$31,587
Community Development Block Grant-Advanced Research Chemical, Inc	BOCC	Grant Reimbursement Payment	1	\$25,000
Community Development Block Grant-Advanced Research Chemical, Inc	BOCC	Grant Reimbursement Payment	2	\$35,000
Community Development Block Grant-Advanced Research Chemical, Inc	BOCC	Grant Reimbursement Payment	4	\$30,000

Additionally, the County issued one hundred and thirty-two (132) purchase orders and warrants totaling \$685,357 between County funds. The purchase orders and warrants were issued to reimburse one county fund for another county fund's actual expenditures, transfer funds from one county fund to another, or correct apportionment errors.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to ensure adequate internal controls and compliance with state statute. Additionally, controls are not in place to ensure purchase orders are not issued for the purpose of transferring funds or to correct errors.

Effect of Condition: These conditions resulted in noncompliance with state statutes, unrecorded transactions, undetected errors, and misappropriation of funds and inaccurate records.

Recommendation: OSAI recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered prior to the receipt of goods and/or services, disbursements should be supported by adequate documentation and approvals, and purchase orders and warrants should not be issued for transfers between funds or error corrections.

Management Response:

District 1 County Commissioner: District 1 strives to follow proper purchasing procedures and makes it their number one priority. Policies and procedures have been implemented to ensure compliance with state statute.

District 2 County Commissioner: Rogers County has implemented policies and procedures to ensure that all disbursements comply with state statutes.

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District 3 County Commissioner: Rogers County has implemented policies and procedures to ensure that all disbursements comply with state statutes.

County Clerk: I did not take office until January 2017 and; therefore, cannot answer or respond with accuracy to this finding. However, since taking office, I have implemented procedures to ensure expenditures are supported by adequate documentation and that all requisitions are properly encumbered prior to purchase, any purchase order that does not follow procedure is marked as such to allow the BOCC to make a determination regarding payment or not. Additionally, the County Clerk's office is working with all elected officials to create policies and procedures to reduce and eliminate purchase orders and warrants between funds.

County Sheriff: These expenditures were made during the tenure of the previous County Clerk. The County Sheriff's office prepared a requisition, the funds were encumbered, and a warrant was issued. New administration in the County Clerk's office have implemented policies to ensure the retention of these records.

Election Board Secretary: Policies and procedures have now been implemented to ensure compliance with state statute.

County Assessor: Policies and procedures have now been implemented to ensure compliance with state statute.

Criteria: GAO Standards 10.03 states in part:

- "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."
- "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Additionally, OV2.23 states in part, "Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements." Therefore, effective internal controls require management properly implement procedures to ensure that expenditures are made in accordance with 19 O.S. § 1505.

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Finding 2016-012 – Inadequate Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding – 2005-004, 2007-013, 2008-002, 2009-002, 2010-002)

Condition: The County Clerk does not reconcile the appropriation ledger to the County Treasurer’s general ledger.

Cause of Condition: Policies and procedures have not been designed and implemented regarding a monthly reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of assets, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the County Clerk’s appropriation ledger be reconciled monthly to the County Treasurer’s general ledger. The reconciliation should be reviewed and approved by someone other than the preparer. Additionally, all documentation to support the performance, review, and approval of the reconciliation should be retained.

Management Response:

County Clerk: I did not take office until January 2017; however, since taking office, I have implemented policies and procedures to ensure the County Clerk’s appropriation ledger is reconciled to the County Treasurer’s general ledger monthly and the reconciliation is reviewed and approved by an individual other than the preparer.

County Treasurer: The County started trying to perform a reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger in July 2015, this entailed researching information back to 2010. The monthly reconciliation became an established practice with the new County Clerk in October 2017.

Criteria: GOA Standard 13.04 states, “Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.”

Additionally, failure to perform tasks that are part of internal controls, such as reconciliations not prepared or not timely prepared, are deficiencies in internal control. To help ensure a proper accounting of funds, all reconciliations should be documented and approved by someone other than the preparer.

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Finding 2016-017 – Inadequate Internal Controls Over the Review and Approval of Bank Reconciliations (Repeat Finding – 2005-0011, 2006-002, 2007-014, 2008-005, 2009-005, 2010-005, 2011-003, 2012-003, 2013-003, 2014-001, 2015-001)

Condition: The review of twenty-four (24) General and Official Depository bank account reconciliations revealed that the General Account reconciliations for the months of October 2015 and February 2016 showed no indication of being reviewed and approved by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all bank reconciliations are reviewed and approved by someone other than the preparer.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, and could result in misappropriation of funds.

Recommendation: OSAI recommends the County Treasurer design policies and procedures to ensure all bank reconciliations are reviewed and approved by someone other than the preparer and documentation of such review is noted and retained.

Management Response:

County Treasurer: The bank reconciliations for these two months were reviewed by a manager but were not initialed. Initialing began after the State Auditor’s recommendation.

Criteria: GAO Standards states in part,

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

OV2.24 “Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.”

SECTION 2—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 2016-006 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs (Repeat Finding – 2007-001, 2008-004, 2009-004, 2010-004, 2011-011)

Condition: During the review of the County’s Estimate of Needs, the following was noted:

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General Fund:

- The County's budgeted appropriations exceeded the County's budgeted revenues and cash balance by \$24,744.
- Actual miscellaneous revenues and expenditures were overstated \$552,536 due to the County issuing \$552,536 in purchase orders and warrants from other County funds to the General Fund to correct errors in apportionments and disbursements.
- The County's ending fund balance at June 30, 2016 was adjusted for an unidentified Cash Fund Balance Transfer Out in the amount of \$18,747.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County's Estimate of Needs is presented in a manner that can be reconciled to the underlying financial statements and the information presented is accurate and free from error.

Effect of Condition: These conditions resulted in noncompliance with state statute and an incomplete and inaccurate Estimate of Needs being approved. Additionally, the comparative schedules of receipts, expenditures, and changes in cash balances-budget and actual-budgetary basis for the General Fund could not be presented.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that financial information is accurately presented. Also, the estimate of needs should be prepared in accordance with 68 O.S. § 3002(A).

Management Response:

District 1 County Commissioner: The BOCC will work with all elected officials to implement policies and procedures to ensure the County's Estimate of Needs is presented in a manner that can be reconciled to the underlying financial statements, is accurate and free from error, and is prepared in compliance with statutory requirements.

District 2 County Commissioner: The BOCC will work with all elected officials to implement policies and procedures to ensure the County's Estimate of Needs is presented in a manner that can be reconciled to the underlying financial statements, is accurate and free from error, and is prepared in compliance with statutory requirements.

District 3 County Commissioner: The BOCC will work with all elected officials to implement policies and procedures to ensure the County's Estimate of Needs is presented in a manner that can be reconciled to the underlying financial statements, is accurate and free from error, and is prepared in compliance with statutory requirements.

County Clerk: This issue occurred during the previous County Clerk's term. Since taking office, I have worked with elected officials to develop policies and procedures to ensure the Estimates of Needs is prepared in compliance with statutory requirements and revenues are accurately presented for appropriation. Elected officials will review the Estimate of Needs and financial statements to ensure the accuracy of the information contained therein. My office will continue to work with the County Treasurer

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and all other elected officials in the development of the policies and procedures to ensure the County's Estimate of Needs are accurate.

County Treasurer: The County Treasurer's office will continue to accurately record ad valorem and miscellaneous receipts. Additionally, the County Treasurer's office will continue to work with elected officials to ensure estimates of needs comply with statutory requirements.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent.

Title 68 O.S. § 3002 states in part, "...each board of county commissioners...shall prior to October 1 of each year, make, in writing, a financial statement, showing the true financial condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statements shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct..."

Additionally, GAO Standards states in part:

10.03 "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

13.04 "Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring."

Finding 2016-010 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding – 2008-009, 2009-009, 2010-009, 2011-009, 2013-015, 2014-014, 2015-010)

Condition: Upon inquiry, observation of procedures and records, and testwork, we noted the following weaknesses regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund:

Inmate Trust Fund Checking Account:

- One employee is responsible for accessing and balancing the lockbox collections, preparing the deposit slip, taking the deposit to the bank, updating inmates' account balances with credits and deductions, performing monthly bank reconciliations, and calculating the amount of sales tax owed

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to the Oklahoma Tax Commission. Additionally, this person is the direct contact for the bookkeeping system vendor and is denoted as an official check signer in the Inmate Trust Fund Checking Account.

- There is no indication of independent monitoring or review of the bookkeeping functions of the Inmate Trust Fund Checking Account.
- Bank reconciliations are not signed by the preparer and have no indication of being reviewed and approved by someone other than the preparer.
- No documentation was retained to indicate a bank reconciliation were performed on the Inmate Trust Fund Checking Account for July 2015.
- Individual inmate balances are not reconciled back to the Inmate Trust Ledger balance which is used in the Inmate Trust Fund Checking Account bank reconciliation.
- Receipts are not clearly marked for the purpose of the Inmate Trust Fund Checking Account and are not always issued in sequential order.
- Checks issued from the Inmate Trust Fund Checking Account are not always signed by an authorized signer. Additionally, the County Sheriff's name is sometimes signed by someone other than the County Sheriff.
- Access to the Inmate Trust Fund Checking Account check stock is not limited during business hours.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than statutorily allowed.
 - Two (2) checks totaling \$450 were issued to the Rogers County Court Clerk.
 - Three (3) checks totaling \$16,745 were issued to the Rogers County Jail.
 - Two (2) checks totaling \$19,797 were issued to a phone service vendor.
 - Twenty-eight (28) checks totaling \$7,990 were issued to Sheriff's Restitution for costs related to damages made to the jail by inmates and any balances on inmates' accounts from previous stays. There were no court orders associated with these restitution payments.

Sheriff Commissary Fund:

- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the BOCC by January 15th, of each year.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

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

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

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OSAI further recommends the County Sheriff implement procedures to ensure:

- Bank reconciliations are performed on a monthly basis and reviewed and approved by someone other than the preparer.
- Individual inmate balances are reconciled to the Inmate Trust Fund Ledger balance.
- Receipts are clearly marked for the purpose of the Inmate Trust Fund and issued in sequential order.
- Checks issued from the Inmate Trust Fund Checking Account are signed by two authorized employees, signers sign only their names, and check stock is secured at all times.
- Expenditures are made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.
- The County Sheriff files a report of the commissary with the County Commissioners by January 15th, of each year in accordance with 19 O.S. § 180.43 (D).

Management Response:

County Sheriff: The County Sheriff's office has implemented policies and procedures to properly administer the Inmate Trust Fund Checking Account and Sheriff Commissary Fund pursuant to state statute. Additionally, the County Sheriff's office has implemented policies and procedures to ensure appropriate oversight and segregation of duties on the Inmate Trust Fund Checking Account.

Criteria: GAO Standards 10.03 states in part:

- “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”
- “Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.”
- “Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

Additionally, OV2.24 states in part, “Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.”

Title 19 O.S. § 180.43 D. states in part, “...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in

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the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Title 19 O.S. § 531 A. states in part, "...The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account"... The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Finding 2016-011 – Inadequate Internal Controls and Noncompliance Over Receipting and Disbursement Processes - Court Clerk

Condition: Upon inquiry of the Court Clerk employees, and observation and test of records, regarding the receipting and disbursement process over the Court Clerk Revolving Fund and Court Fund, the following weaknesses were noted:

One person, the Court Clerk is responsible for:

- Logging the type of payment received into the daily check register;
- Preparing receipts;
- Closing out the cash register at the end of the day, if no other employee is available;
- Reconciling collection from the register, credit card payments, and electronic transfers to the daily reports;
- Reviews calculations to be paid to the Court Fund, Court Clerk Revolving Fund, and other entities;
- Prepares and signs Court Fund claims;
- Generating Court Fund vouchers;
- Taking vouchers to the County Treasurer to be registered;
- Receiving registered vouchers;
- Distributing vouchers; and
- Performing monthly reconciliations.

Voided Receipts:

- A sample of fifty (50) voided receipts tested reflected five (5) original voided receipts were not maintained.

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Court Clerk Revolving Fund Claims:

- A sample of ten (10) Court Clerk Revolving Fund Claims tested reflected ten (10) claims totaling \$7,766 were not approved by the District Judge or Associate District Judge as required by Title 19 O.S. § 220(A).

Court Fund Claims:

- Juror expenses were not supported by Court Fund claims.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to internal controls over all aspects of the collection and disbursement processes of Court Fund and Court Clerk Revolving Fund.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the key duties in the receipting and disbursing processes be adequately segregated. If duties cannot be adequately segregated, mitigating controls and reviews should be implemented. Additionally, OSAI recommends originals be retained for all voided receipts, Court Clerk Revolving Fund expenditures be approved in accordance with state statute, and all Court Fund expenditures be supported by approved claims.

Management Response:

Court Clerk: I was not in office during fiscal year 2016. Since being appointed Court Clerk on July 23, 2018, I have implemented new policies and procedures to ensure compliance with state statute. Additionally, policies and procedures are being implemented to ensure segregation of duties regarding the Court Clerk Revolving Fund and Court Fund.

Criteria: GOA Standard 10.03 states in part, “Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.”

Title 20 O.S. § 1304(A) states in part... “Payment of the expenses may be made after the claim is approved by the district judge who is a member of the governing board of the court fund and either the local court clerk or the local associate district judge who is a member of the governing board.”

Title 19 O.S. § 220(A) states in part... “Claims against the fund shall include only expenses incurred for the operations of the court clerk’s office in each county, and payment may be made after the claim is approved by the court clerk and either the district or associate district judge of the county.”

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Finding 2016-014 – Drug Court

Condition: The Oklahoma Department of Mental Health and Substance Abuse entered into a contract with the District Court of Rogers County. This contract utilizes the County’s tax identification number and requires the financial officer of the Drug Court to be an employee of the County and not a member of the Drug Court team.

The contract was signed by the Rogers County Associate District Judge, who acts as the drug court judge. The contract was not presented to the Board of County Commissioners for action or acceptance nor was the County Treasurer notified that he would be acting as the financial officer to the Drug Court. The contract further stated that revenues (payments) and disbursements of funds related to this contract shall be made through the designated financial officer.

As part of the audit of the County’s books of record, the State Auditor’s office examined the contract, receipts and disbursements related to the drug court processes and noted the following weaknesses in the financial processes:

Drug Court Coordinator:

- The District Judge, also referred to as the Drug Court Judge, was the sole approver of the contract with the Drug Court Coordinator (Coordinator) to run the day to day operations of Drug Court.
- Although the Coordinator is referred to as an independent contractor in the contract, the contract allows for the following benefits which is in contradiction to what the IRS would allow in classifying an individual as an independent contractor:
 - Annual longevity pay,
 - 120 hours of paid sick leave per year,
 - 160 hours of vacation leave per year,
 - Holiday pay when the Courthouse is closed,
 - Compensatory time for “On Call Time”,
 - Unused vacation time to be rolled over to the next year.
- This contract also provides that in addition to the annual contract amount of \$61,008 the Coordinator receives \$20 per individual home visit and \$50 per sober living house visit which resulted in the Coordinator receiving an additional \$12,120 in fiscal year 2016.
- In addition to the allowable contractual amounts received, the Coordinator, upon the approval of the District Judge, received \$26,716 in additional payments that were not provided for in the contract; bringing her total net pay for fiscal year 2016 to \$99,844.
- The BOCC provides office space for the Coordinator.

Drug Court Collections:

- Internal controls have not been established over the receipting and disbursing of Drug Court funds:
 - A concentration of duties is assigned to one person, the Coordinator, who receives all collections, issues receipts for collections, posts payments to ledgers, reconciles collections to receipts, prepares deposit ticket, takes deposits to the County Treasurer, prepares officers Monthly Report, calculates amount to be vouchered to Cash Funds,

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prepares cash vouchers, performs home visits, invoices County for home visits performed, and prepares and retains all documentation for home visits. There is no independent oversight to determine these processes are correct or complete.

- Collections received in the Drug Court office are not deposited daily.
- Drug Court participants pay a \$40 monthly supervision fee. Participants are only allowed to pay fees with money order or cashier's check.
 - Drug Court ledgers do not accurately identify when monthly participation payments are received but rather payments are posted to the month the payment should have been received. This could provide the opportunity to fraudulently record and/or misappropriate funds.
 - Receipted collections for Drug Court participation fees do not agree to deposits:
 - In August 2015 receipted collections were \$4,163 and deposits were \$4,143
 - In December 2015 receipted collections were \$2,600 and deposits were \$2,520.
 - In February 2016 receipted collections were \$3,920 and deposits were \$3,900.
 - In May 2016 receipted collections were \$3,110 and deposits were \$3,210.
 - In June 2016 receipted collections were \$3,648 and deposits were \$3,588.

Cause of Condition: The Oklahoma Department of Mental Health and Substance Abuse has not clearly communicated the role of Rogers County in the financial reporting, collection, and disbursement processes of drug court funds despite having included the County in the contract.

State statutes regarding the operation of drug courts are very vague in the actual administration of the funds. Further, the statutes have not been followed regarding the collection of fees by the Court Clerk.

Regarding the Coordinator's role as independent contractor, the Drug Court and the County have not followed IRS guidelines in determining how to properly classify an employee vs. contract labor.

Effect of Condition: These conditions have resulted in public funds not being handled in a responsible manner and not properly reported for auditing purposes. Rogers County officials have been held accountable for the collection and disbursement of Drug Court funds without proper direction from the Oklahoma Department of Mental Health and Substance Abuse or any statutory guidance. Additionally, these conditions could result in misappropriation of Drug Court funds and misclassification of the Coordinator's position as an employee vs. independent contractor.

Recommendation: OSAI recommends:

- The Oklahoma Department of Mental Health and Substance Abuse establish written policies and procedures that clearly communicate to the County and the Drug Court Team their expectations for the administering of Drug Court funds.
- All contracts that obligate the County be approved and signed by the BOCC.
- Management should immediately establish internal controls regarding the collection and disbursement of drug court funds to safeguard against misappropriation and errors in reporting.
- Management and the Drug Court Team should review the relevant drug court statutes in Title 22 §§ 471 through 471.11 to ensure compliance regarding the handling of drug court funds.

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- Management determine the employment status of the drug court coordinator and ensure compliance with IRS guidelines.

Management Response:

Board of County Commissioners: The BOCC requested an opinion from the District Attorney's office regarding the status of Drug Court. The District Attorney's office advised that the Drug Court program operated in Rogers County is not a county program.

District Attorney Office, District 12: The auditor's findings regarding the expenditure of Drug Court funds and the contract with the Oklahoma Department of Mental Health and Substance Abuse are concerning. The Drug Court Program; however, is not a county program and Rogers County has no authority to control, oversee, regulate, or operate the program. This is further explained in the attached opinion regarding the lack of authority for a county to operate a drug court program. As noted in the finding, the contract for the Drug Court Program was approved by the Drug Court Judge. The County was not a party to the contract, did not review the contract, did not sign the contract, and never approved the contract. The confusion over the drug court program seems to have arisen because "drug court" is not a separate legal entity and does not appear to have the ability to enter into contracts on its own behalf. Previously, the Drug Court Program requested the BOCC to approve expenditures by the Drug Court Program. This became problematic; however, because Drug Court does not follow county purchasing procedures. Because the County has no authority to oversee the program and operates under a separate purchasing system, the District Attorney's office advised the County to end this practice. The practice of approving Drug Court expenditures continued only long enough to allow the Drug Court Program to transition and avoid ceasing operations. Following the advice of the District Attorney's office, the County has now formalized the separation between the Drug Court Program and the County has no role in the Drug Court Program or Drug Court expenditures.

Auditor Response: The Oklahoma Department of Mental Health and Substance Abuse has included the County's tax identification number and required the Drug Court financial officer to be a county employee in the Drug Court contract; therefore, all funds should be received and expended by the County.

Criteria: GAO Standards states in part.

OV2.24 "Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets."

10.03 "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

10.13 "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the

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risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.”

Finding 2016-015 – Payment in Violation of Contract – Drug Court

Condition: In fiscal year 2016, the Coordinator entered into a contract with the Drug Court Judge to run the day to day operation of Drug Court. Per the contract, the Coordinator was to be paid \$61,008 annually and to receive \$20 per individual home visit and \$50 per sober living house visit. In addition to the Coordinator’s annual payment of 61,008 and the \$12,120 in home visit payments, the Coordinator received an additional \$26,716, which was not defined in the contract.

In fiscal year 2016, the Coordinator received net pay in the amount of \$99,844 for these services.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure payment for services do not exceed contractual obligations.

Effect of Condition: The County paid the Coordinator \$26,716 more than the contractual obligation.

Recommendation: OSAI recommends policies and procedures be established to ensure compliance with contractual obligations.

Management Response:

Board of County Commissioners: The BOCC requested an opinion from the District Attorney’s office regarding the status of Drug Court. The District Attorney’s office advised that the Drug Court Program operated in Rogers County is not a county program.

District Attorney Office, District 12: The auditor’s findings regarding the expenditure of Drug Court funds and the contract with the Oklahoma Department of Mental Health and Substance Abuse are concerning. The Drug Court Program; however, is not a county program and Rogers County has no authority to control, oversee, regulate, or operate the program. This is further explained in the attached opinion regarding the lack of authority for a county to operate a drug court program. As noted in the finding, the contract for the Drug Court Program was approved by the Drug Court Judge. The County was not a party to the contract, did not review the contract, did not sign the contract, and never approved the contract. The confusion over the drug court program seems to have arisen because “drug court” is not a separate legal entity and does not appear to have the ability to enter into contracts on its own behalf. Previously, the Drug Court Program requested the BOCC to approve expenditures by the Drug Court Program. This became problematic; however, because Drug Court does not follow county purchasing procedures. Because the County has no authority to oversee the program and operates under a separate purchasing system, the District Attorney’s office advised the County to end this practice. The practice of approving Drug Court expenditures continued only long enough to allow the Drug Court Program to transition and avoid ceasing operations. Following the advice of the District Attorney’s office, the County has now formalized the separation between the Drug Court Program and the County has no role in the Drug Court Program or Drug Court expenditures.

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Auditor Response: The Oklahoma Department of Mental Health and Substance Abuse has included the County's tax identification number and required the Drug Court financial officer to be a county employee in the Drug Court contract; therefore, all funds should be received and expended by the County. Additionally, all expenditures should be monitored for compliance by the County.

Criteria: A contract is a legally binding agreement which recognizes and governs the rights and duties of the parties represented in the agreement. The fiscal year 2016 contract between the Drug Court Judge and the Coordinator provided that the Coordinator only receive \$61,008 annually and \$20 per individual home visit and \$50 per sober living house visit.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



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