



# ROGERS COUNTY

## Financial Report

For the fiscal year ended June 30, 2017

**Cindy Byrd, CPA**  
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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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, 2017. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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, 2017**

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**Board of County Commissioners**

District 1 – Dan DeLozier  
District 2 – Steve Hendrix  
District 3 – Ron Burrows

**County Assessor**

Scott Marsh

**County Clerk**

Jeanne Heidlage

**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, 2017**

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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, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *Management's Responsibility for the Financial Statement*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on 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, 2017, or changes in financial position for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

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

***Other Matters***

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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, 2017**

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 4,561,114	\$ 17,622,464	\$ 1,534,426	\$ 1,200,000	\$ 16,787,161	\$ 5,730,843
T-Highway	2,198,093	3,374,089	500,000	500,000	2,329,499	3,242,683
County Health	1,309,658	1,340,732	-	-	1,401,751	1,248,639
Use Tax	-	1,254,398	-	-	1,254,398	-
Sheriff Jail Account	2,836,866	3,832	-	-	2,773,405	67,293
County Bridge and Road Improvement Fund (CBRIF)	1,170,453	419,824	-	141,906	243,624	1,204,747
County Courthouse/911 Project	-	1,331,889	-	-	1,331,889	-
Material Service Lawsuit	-	2,661,113	-	-	2,661,113	-
Material Service Lawsuit -1/8th Sales Tax	-	998,916	-	-	998,916	-
Criminal Justice Authority	236,794	3,093,532	-	-	132,441	3,197,885
Resale Property	973,286	583,914	898,173	700,000	409,017	1,346,356
Treasurer Mortgage Certification Fee	38,008	20,721	-	-	25,646	33,083
Civil Defense/Emergency Management	29,328	22,500	-	-	16,363	35,465
Sheriff Drug Enforcement	1,545	-	-	-	-	1,545
Sheriff Forfeiture	2,216	-	-	-	2,200	16
Sheriff Jail Turnpike	17,270	39,918	-	-	37,660	19,528
Sheriff Civil Fee	114,133	220,332	-	-	229,178	105,287
County Clerk Lien Fee	46,749	34,353	-	-	45,050	36,052
County Clerk Records Preservation	233,373	93,375	-	-	63,574	263,174
Planning Commission Engineering Fees	7,733	9,029	-	-	9,621	7,141
Sheriff Commissary	109,705	579,373	-	-	514,836	174,242
Sheriff Service Fees	54,155	79,335	-	-	99,861	33,629
Dispatch Consolidated Service	240,867	92,400	-	-	169,987	163,280
Attendant Care	2,505	-	-	-	-	2,505
Community Development Block Grant-						
Advanced Research Chemical, Inc.	16,370	330,178	-	-	20,687	325,861
Rural Economic Action Plan (REAP) Grants	12,125	-	-	-	12,125	-
Assessor Revolving	4,137	1,034	-	-	-	5,171
Sheriff Special Account	34,374	761	-	-	15,652	19,483
Sheriff Grants (Oklahoma Highway Safety)	338	5,529	-	-	11	5,856
Courthouse Bond Proceeds	1,542,408	730,564	160,000	160,000	1,244,065	1,028,907
Wireless Service	683,319	272,785	-	-	718,409	237,695
E-911 Addressing	20,021	69,371	-	-	28,972	60,420
Wireless Prepay 911 Fee	203,022	45,193	-	-	100,000	148,215
Sheriff Courthouse Security	31,961	63,361	-	-	66,518	28,804
Hazard Mitigation	800	-	-	-	-	800
Oklahoma Bar Association Donations for Court Area	1,927	-	-	-	-	1,927
Sheriff State Forfeiture	-	1,469	-	-	-	1,469
Planning Commission Fee	88,666	15,937	-	-	52,749	51,854
Drug Court Contract	118,253	141,487	-	-	133,923	125,817
Drug Court Participant	33,769	40,956	-	-	40,354	34,371
<b>Combined Total - All County Funds</b>	<b>\$ 16,975,341</b>	<b>\$ 35,594,664</b>	<b>\$ 3,092,599</b>	<b>\$ 2,701,906</b>	<b>\$ 33,970,655</b>	<b>\$ 18,990,043</b>

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, 2017**

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**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, 2017**

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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 - 1/8<sup>th</sup> 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, 2017**

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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 and use taxes returned from the bank trust after retired payments are made. Disbursements are for any legal expense of the County.

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

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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.

Sheriff State 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.

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.

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

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

**D. Budget**

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

**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.



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

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**2. Ad Valorem Tax**

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

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

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

**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.

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

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OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

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

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

**D. 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 2017, the County collected a total of \$3,660,029 in sales tax collections dedicated for the obligation for bonds issued to pay a judgment awarded against the County. This total was comprised of \$2,661,113 from the Material Service Lawsuit fund, and \$998,916 from the Material Service Lawsuit - 1/8<sup>th</sup> Sales Tax fund. These funds were remitted to the Rogers County Finance Authority. Bonds in the amount of \$975,000 were retired during fiscal year 2017.

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

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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>
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	1,100,000	1,063,833	2,163,833
2022-2026	6,035,000	4,792,510	10,827,510
2027-2031	7,245,000	3,578,065	10,823,065
2032-2036	<u>11,020,000</u>	<u>1,758,165</u>	<u>12,778,165</u>
Total	<u>\$29,540,000</u>	<u>\$15,715,680</u>	<u>\$45,255,680</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.

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

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**Sales Tax of June 26, 2012**

On 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.

**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 judgement in the Material Services Corporation case are accounted for in the Material Service Lawsuit - 1/8<sup>th</sup> 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 \$261,432 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

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

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

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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.
- \$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.
- \$700,000 was transferred from the Resale Property fund to the County General Fund to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$700,000 was transferred from the County General Fund to the Resale Property fund for repayment of the loan in accordance with 68 O.S. § 3021.
- \$141,906 was transferred from the County Bridge and Road Improvement Fund (CBRIF) to the County General Fund to correct a prior year disbursement error.
- \$192,520 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.
- \$142,132 was transferred from the Tax Refund fund (a trust and agency fund) to the Resale Property fund to correct disbursement errors from 2011 through 2014.
- \$53,824 was transferred from the Excess Resale Property fund (a trust and agency fund) to the Resale Property fund as authorized by 68 O.S. § 3131.
- \$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 repayment of the loan in accordance with 68 O.S. § 3021.
- \$2,217 was transferred from the Individual Redemption fund (a trust and agency fund) to the Resale Property fund to correct prior years disbursement errors.

**OTHER SUPPLEMENTARY INFORMATION**

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

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,309,658	\$ 1,309,658	\$ -
Less: Prior Year Outstanding Warrants	(9,452)	(9,452)	-
Less: Prior Year Encumbrances	(271,900)	(264,267)	7,633
Beginning Cash Balances, Budgetary Basis	1,028,306	1,035,939	7,633
 Total Receipts, Budgetary Basis	 1,241,777	 1,340,732	 98,955
 Total Expenditures, Budgetary Basis	 2,270,083	 1,351,872	 918,211
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 1,024,799	 \$ 1,024,799
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		220,963	
Add: Current Year Outstanding Warrants		2,877	
Ending Cash Balance		\$ 1,248,639	

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

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the 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, 2017, 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, 2017, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered 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: 2017-001, and 2017-013.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2017-007 and 2017-009.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, 2017**

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**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 2017-001 – Inadequate County-Wide Controls (Repeat Finding – 2008-003, 2009-003, 2010-003, 2011-004, 2012-004, 2012-004, 2013-004, 2014-003, 2015-003, 2016-001)**

**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, 2017**

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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  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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 2017-007 – Inadequate Internal Controls Over Presentation of Financial Statement (Repeat Finding 2016-007)**

**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 eight months after the June 30, 2017 fiscal year end.

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

- County funds and transfers were not accurately classified resulting in apportionments being overstated \$34,125 and disbursements being understated \$210,857.
- The County issued purchase orders and warrants totaling \$1,100,133 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 \$912,247 each; resulting in \$187,886 in unadjusted misstatements.

**ROGERS COUNTY, OKLAHOMA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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These errors resulted in cash receipts and cash disbursements being overstated \$946,372 and \$701,390, respectively. Cash receipts were reported at \$36,541,036; however, actual receipts were \$35,594,664. Cash disbursements were reported at \$34,672,044; however, actual disbursements were \$33,970,654.

	<u>Apportionments</u>	<u>Disbursements</u>
As Initially Reported by the County	\$36,541,036	\$34,672,044
Plus: Understatement Due to Fund and Transfer Classification Error	-	210,857
Less: Overstatement Due to Fund and Transfer Classification Error	(34,125)	-
Less: Overstatement Due Warrants Issued Between Funds	(1,100,133)	(1,100,133)
Plus: Unadjusted Misstatements	<u>187,886</u>	<u>187,886</u>
Final as Reported	<u>\$35,594,664</u>	<u>\$33,970,654</u>
Understatement	<u>\$ 946,372</u>	<u>\$ 701,390</u>

In addition, beginning and ending cash balances were reported at \$16,746,774 and \$18,814,126, respectively. However, the actual beginning fund balance was \$16,975,341 and the actual ending fund balance was \$18,990,044 resulting in beginning and ending fund balances being understated \$228,567 and \$175,918, 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 are implementing policies and procedures to ensure the financial statements accurately

**ROGERS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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 1 County Commissioner:** The BOCC of Rogers County are 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:** 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  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Finding 2017-009 – 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, 2016-009)**

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

The County issued one hundred sixty-seven (167) purchase orders and warrants totaling \$1,100,133 between County funds. The purchase orders and warrants were issued to reimburse one county fund for another county fund’s actual expenditures, to transfer funds from one fund to another, or correct apportionment errors.

**Cause of Condition:** Policies and procedures have not been designed and implemented 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 and warrants should not be issued for transfers between funds or error corrections.

**Management Response:**

**District 1 County Commissioner:** Rogers County has implemented policies and procedures to ensure that all disbursements comply with state statutes.

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

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

**County Clerk:** I was sworn into office on January 2, 2017; this purchase order was encumbered during the previous administration. However, since taking office, the Clerk’s office has worked diligently to ensure that requisitions are presented for encumbering prior to purchases or services being rendered. Additionally, policies and procedures have been implemented to ensure that all disbursements comply with state statutes.

**Criteria:** GAO Standards 10.03 states in part, “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 “Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations

**ROGERS COUNTY, OKLAHOMA  
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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.

**Finding 2017-013 – Inadequate Internal Controls Over the Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding – 2005-004, 2007-013, 2008-002, 2009-002, 2010-002, 2016-012)**

**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 and the review and approval of the reconciliation should be retained.

**Management Response:**

**County Clerk:** In October 2017, after much research and work by the Treasurer’s office, both offices (County Clerk and County Treasurer) began monthly balancing of the cash accounts. Each office enters data into a balancing spreadsheet and any discrepancies they are explained in the notes section of the document. An employee from each office signs off and the document is filed in both offices.

**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.

**ROGERS COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
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**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 2017-005 – Schedule of Expenditures of Federal Awards (Repeat Finding – 2008-013, 2009-013, 2010-013, 2012-008, 2013-008, 2014-007)**

**Condition:** During our audit we identified federal programs that were not listed accurately on the County’s Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were understated by \$44,045.

The following misstatements in expenditures were noted:

- The actual expenditures for Flood Control Projects, CFDA #12.106 were \$35,281; however, the County reported \$26,461, which understated expenditures by \$8,820.
- The actual expenditures for Payments in Lieu of Taxes, CFDA #15.226 were \$80,979; however, the County reported \$9,386, which understated expenditures by \$71,411.
- The actual expenditures for Highway Planning and Construction, CFDA #20.205 were \$0; however, the County reported \$37,941, which overstated expenditures by \$37,941.
- The actual expenditures for State and Community Highway Safety, CFDA #20.600 were \$1,755; however, the County reported \$0, which understated expenditures by \$1,755.

Reported Total Expenditures of Federal Awards	\$ 110,837
Plus: Flood Control Projects (CFDA #12.106)	8,820
Plus: Payments in Lieu of Taxes (CFDA #15.226)	71,411
Less: Highway Planning and Construction (CFDA #20.205)	(37,941)
Plus: State and Community Highway Safety Projects (CFDA #20.600)	<u>1,755</u>
Actual Federal Expenditures of Federal Awards	<u>\$ 154,882</u>
 Original SEFA understated by	 <u>\$ 44,045</u>

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

**Effect of Condition:** These conditions resulted in the erroneous reporting and/or a material misstatement of the County’s SEFA and noncompliance with federal requirements.

**Recommendation:** OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Rogers County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures and revenues on the SEFA and to ensure compliance with federal requirements.

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**Management Response:**

**Chairman of the Board of County Commissioners/District 2 County Commissioner:** Rogers County will be implementing a Standard Operation Procedure (SOP) in order to be in compliant with Federal requirements for SEFA reporting. The SOP will be adopted by Rogers County through the BOCC to develop internal controls procedures within Rogers County to report expenditures and revenues for all federal 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 policies and procedures handbook.

**District 1 County Commissioner:** 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.

**District 3 County Commissioner:** 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

**County Clerk:** 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

**County Treasurer:** The County Treasurer's office will continue to accurately record proceeds associated with federal programs. The County Treasurer's office will work with elected officials to comply with all SEFA reporting requirements.

**County Sheriff:** The County Sheriff's office has worked with elected officials to develop policies and procedures to ensure compliance with federal reporting requirements on the SEFA. Additionally, procedures have been put in place to ensure the timely and accurate tracking of expenses relating to federal awards.

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**Criteria:** 2 CFR § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR § 200.508(b) *Auditee responsibilities* reads as follows:

The auditee must:

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

2 CFR § 200.510(b) *Financial statements* reads as follows:

*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [....]

Further, GAO Standards state 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.”

**Finding 2017-006 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs (Repeat Finding – 2007-001, 2008-004, 2009-004, 2010-004, 2011-011, 2016-006)**

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

General Fund:

- The County’s budgeted appropriations exceeded the County’s budgeted revenues and cash balance by \$42,928.

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- Actual miscellaneous revenues and expenditures were overstated \$912,247 due to the County issuing \$912,247 in purchase orders and warrants from other County funds to the General Fund to correct errors in apportionments and disbursements.

**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:** Since taking office, I have worked with elected officials to develop policies and procedures to ensure the Estimate 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 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.

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**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 2017-010 – 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, 2016-010)**

**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 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.

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- 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 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.
  - Forty-six (46) checks totaling \$15,068 were issued to Sheriff's Restitution for costs related to damages made to the jail by inmates and any balances on inmate's 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 15<sup>th</sup>, 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.

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 15<sup>th</sup>, of each year in accordance with 19 O.S. § 180.43 (D).



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**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 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

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

**Finding 2017-011 – Inadequate Internal Controls and Noncompliance Over Receipting and Disbursement Processes - Court Clerk (Repeat Finding 2016-011)**

**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 Treasurer to be registered;
- Receiving registered vouchers;
- Distributing vouchers; and
- Performing monthly reconciliations.

Voided Receipts:

- A sample of fifty (50) voided receipts tested reflected six (6) original voided receipts were not maintained.

Court Clerk Revolving Fund Claims:

- A sample of ten (10) Court Clerk Revolving Fund Claims tested reflected ten (10) claims totaling \$1,157 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.

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**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.”

**Finding 2017-012 – Inadequate Internal Controls and Noncompliance Over Court Clerk Collections**

**Condition:** In addition to the \$100.00 in cash on hand that was accounted for on the County Treasurer’s records, the Court Clerk maintained an additional \$218.54 in cash on hand that the County Treasurer was not aware of and was not accounted for on the County Treasurer’s records as follows:

- As of March 13, 2018, the Court Clerk had two additional “change bags” totaling \$193.44. One bag contained \$147.94 in bills and loose coins and the other contained \$45.50 in rolled coins. The Court Clerk did not maintain any ledgers or records for these funds to track credits and debit.
- The Court Clerk maintained a ‘petty cash box’ made up of collections from overpayments. As of March 13, 2018, the “petty cash box” contained \$25.10. Again, the Court Clerk did not maintain

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any ledgers for these funds to track credits and debit; however, there were receipts and envelopes with handwritten calculation included with these funds.

- Based on the review of the receipts and handwritten notes included in the “petty cash box”, it appears these funds were not expended on the general operations of the Court Clerk’s office but were used to purchase pizza, disposable tableware, fountain drinks, miscellaneous cleaning supplies and grocery items.

**Cause of Condition:** Policies and procedures have not been designed and implement to ensure the safeguarding of all collections received in the Court Clerk’s office and to ensure expenditures were only made for the lawful operations of the office.

**Effect of Condition:** These conditions resulted in noncompliance with the state statute and could result in unrecorded transactions, misstated financial reports, or misappropriation of funds.

**Recommendation:** OSAI recommends management take steps to ensure the accuracy of all public funds accounted for on the County Treasurer’s records, all collections are deposited with the County Treasurer on a daily basis, and all expenditures are for the legal operation of the County.

**Management Response:**

**Chairman of the Board of County Commissioners:** The elected official that was in office during this time is no longer in office. The appointed Court Clerk has implemented policies and procedures to ensure compliance with state statute.

**Court Clerk:** The previous Court Clerk implemented these policies and procedures. Since being appointed Court Clerk, I have implemented new policies and procedures to ensure compliance with state statute.

**Criteria:** GAO Standards 10.03 states in part, “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. § 681 states, “The county treasurer is hereby designated and made the official depository for all monies, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind that may be received by any county officer, county board, county commission, or by any employee of either of such officers, boards or commissions by virtue or under color of office, and the said county treasurer shall be responsible on his official bond for the faithful performance of duty as such official depository.”

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Title 19 O.S. § 682 states, “It shall be the duty of each and every county officer, county board, county commission and all members and employees of either thereof, to deposit daily in the official depository designated in Section 681 of this title, all monies, checks, drafts, orders, vouchers, funds, rentals, penalties, costs, proceeds of sale of property, fees, fines, forfeitures and public charges of every kind received or collected by virtue or under color of office , except that each county officer, county board, and county commission is hereby authorized to keep in the office, from this deposit, no more than One Thousand Five Hundred Dollars (\$1,500.00) to be used for their change needs. The amount so retained shall not be cumulative so that after each such deposit there shall not be on hand more than authorized by this section. A notation of the retention of this money shall be made in the proper accounting records. ....”

Article 10 § 11 states, “The receiving, directly or indirectly, by any officer of the State, or of any county, city, or town, or member or officer of the Legislature, of any interest, profit, or perquisites, arising from the use or loan of public funds in his hands, or moneys to be raised through his agency for State, city, town, district, or county purposes shall be deemed a felony. Said offense shall be punished as may be prescribed by law, a part of which punishment shall be disqualification to hold office.”

**Finding 2017-015 – Drug Court (Repeat Finding 2016-014)**

**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 Associate 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.

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- 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 \$19,100 in fiscal year 2017.
- In addition to the allowable contractual amounts received, the Coordinator, upon the approval of the District Judge, received \$25,122 in additional payments that were not provided for in the contract; bringing her total net pay for fiscal year 2017 to \$105,230.
- 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, 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 \$40.00 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 October 2016 receipted collections were \$455.00 and deposits were \$575.00.
      - In December 2016 receipted collections were \$796.80 and deposits were \$1,236.80.
      - In February 2017 receipted collections were \$1,765.00 and deposits were \$1,285.00.
      - In April 2017 receipts were \$3,060.00 and deposits were \$3,230.00.

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Home Visit Cost/Benefit Comparison:

- Drug Court employees receive \$20 per individual home visit and \$50 per sober living home visit. The costs associated with home visits increased 98% from \$19,410 in fiscal year 2016 to \$38,500 in fiscal year 2017 even though it appears, based the comparison of fiscal year 2016 and 2017 participation fees collected, participation in Drug Court went down 10%.

**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.
- County management should immediately establish internal controls regarding the collection and disbursement of drug court funds to safeguard against misappropriation and errors in reporting.
- County 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.
- County 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

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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 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 2017-016 – Payment in Violation of Contract – Drug Court (Repeat Finding 2016-015)**

**Condition:** In fiscal year 2017, 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



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Coordinator's annual payment of 61,008 and the \$19,100 in home visit payments, the Coordinator received an additional \$25,122, which was not defined in the contract.

In fiscal year 2017, the Coordinator received net pay in the amount of \$105,230 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 \$26,715.50 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.

**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 2017 contract between the Drug Court Judge and

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the Coordinator provided that the Coordinator only receive \$61,008 annually and \$20.00 per individual home visit and \$50.00 per sober living house visit.

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



**Cindy Byrd, CPA | State Auditor & Inspector**

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