

COUNTY AUDIT

ROGERS COUNTY

For the fiscal year ended June 30, 2010



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



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

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Oklahoma State Auditor & Inspector

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July 17, 2012

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers County, Oklahoma for the fiscal year ended June 30, 2010. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

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

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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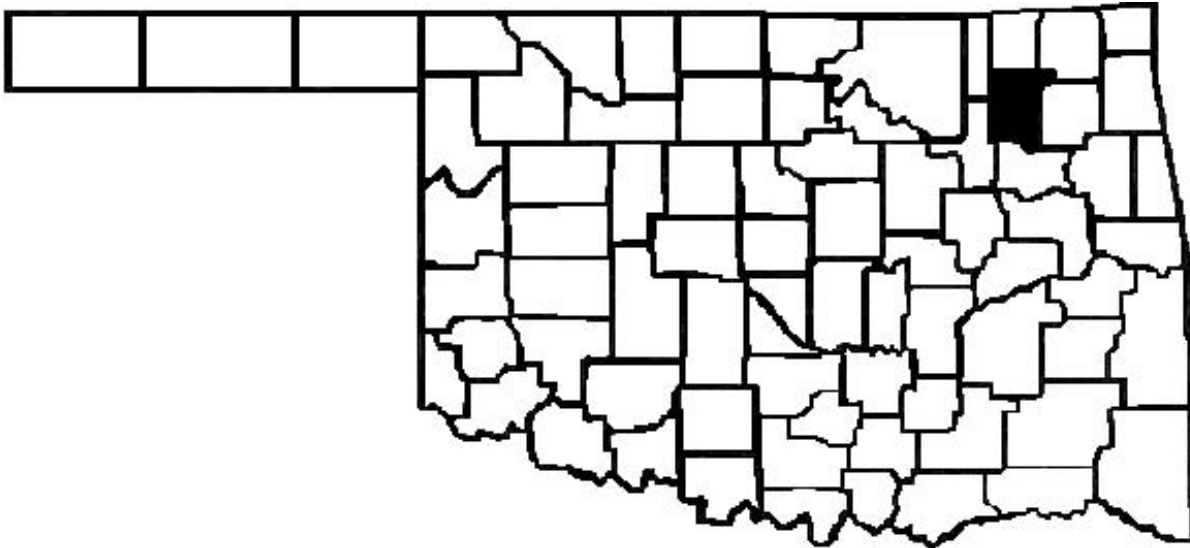
**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**REPORT TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA**



Originally part of the Cherokee Nation, Rogers County was created at statehood, and named for Clem V. Rogers, member of the Oklahoma Constitutional Convention and father of famed Will Rogers.

Claremore, the county seat, was named for the Osage Chief Clermont, killed during the Clermont Mound Massacre. It claims as its own such notables as singer Patti Page and astronaut Stuart Roosa. Lynn Riggs, author of *Green Grow the Lilacs*, from which the musical *Oklahoma!* was adapted, was born three miles from Claremore. J.M. Davis, a local resident, owned a hotel and collected more than 20,000 guns in his lifetime.

Catoosa, now a port, was once a rail terminal, which saw the likes of the Daltons, Youngers, Doolins, and other outlaws pass through its boundaries. The waterway extends from the Verdigris and Arkansas to the Mississippi river and the Gulf of Mexico.

While agriculture is still basic, the mining of coal and shale has also been important to the economy of Rogers County. Points of interest in the county include the Will Rogers Memorial Museum in Claremore, which attracts nearly one million visitors annually; the J.M. Davis Gun Museum; Totem Pole Historical Park located east of Foyil; and the Belvidere Mansion in Claremore.

County Seat – Claremore

Area – 711.44 Square Miles

County Population – 83,105
(2007 est.)

Farms – 1,963

Land in Farms – 371,349 Acres

Primary Source: Oklahoma Almanac 2009-2010

See independent auditor's report.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COUNTY ASSESSOR

Scott Marsh

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK

Peggy Armstrong

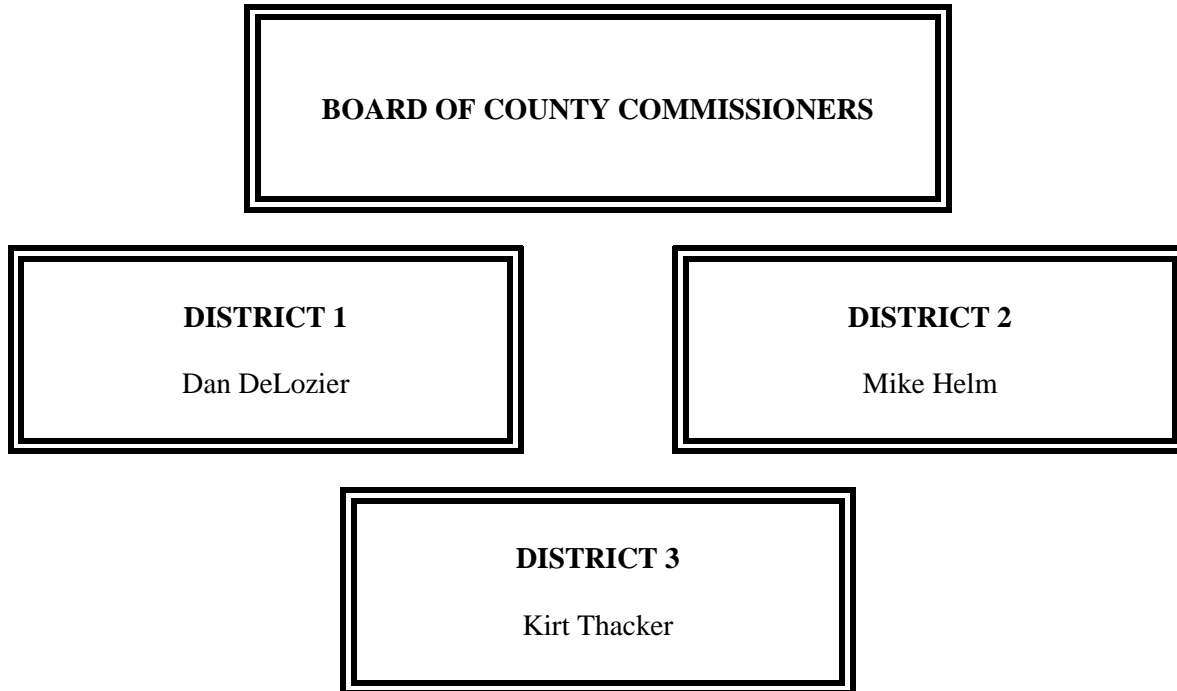
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COUNTY SHERIFF

Scott Walton

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER

Cathy Pinkerton Baker

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed.

See independent auditor's report.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

COURT CLERK

Candi Czapansky

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government.

DISTRICT ATTORNEY

Gene Haynes

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**ROGERS COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

ELECTION BOARD SECRETARY

Rebecca Muratet

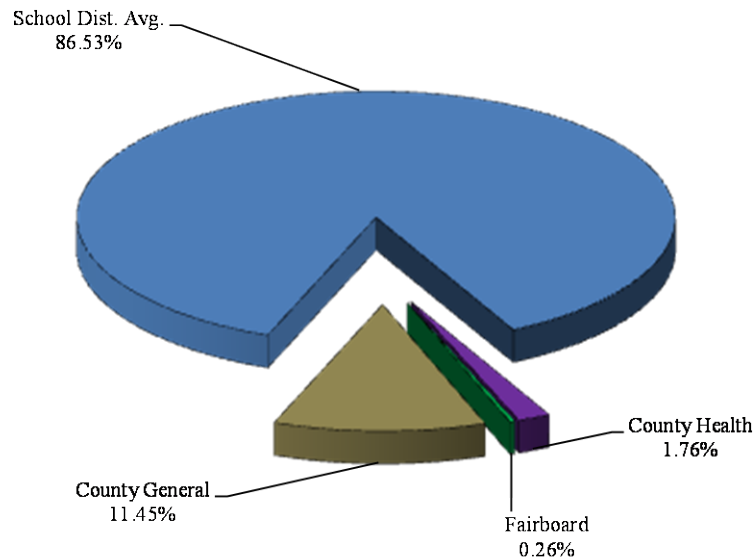
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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



County-Wide Millages		School District Millages							
						Career			
			Gen.	Bldg.	Skg.	Tech	Common	Total	
County General	10.01	Claremore	1	35.97	5.14	21.76	11.27	4.099	78.24
County Health	1.54	Catoosa	2	35.46	5.06	19.29	13.18	4.099	77.09
Fairboard	0.23	Chelsea	3	36.51	5.22	19.10	11.27	4.099	76.20
		Oologah-Talala	4	35.38	5.05	8.12	11.27	4.099	63.92
Others		Inola	5	36.33	5.19	21.32	11.27	4.099	78.21
Oologah/Talala EMS	3.00	Sequoyah	6	36.69	5.24	21.37	11.27	4.099	78.67
		Foyil	7	36.42	5.20	20.48	11.27	4.099	77.47
Fire Districts		Verdigris	8	35.65	5.09	17.86	11.27	4.099	73.97
Verdigris	10.30183	Justus-Tiawah	9	36.48	5.21	17.79	11.27	4.099	74.85
Limestone	14.28000	Tulsa-Collinsville	JT-6	36.47	5.60	22.14	11.27	4.099	79.58
Northwest	12.54572	Tulsa-Owasso	JT-11	36.81	5.26	29.31	11.27	4.099	86.75
NW Cities	12.54572	Mayes	JT-32	36.84	5.26	5.81	11.27	4.099	63.28
Foyil	16.95000								
Tri-District	10.00000								

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

Total net assessed value as of January 1, 2009		<u>\$ 655,636,539</u>
Debt limit - 5% of total assessed value		32,781,827
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>-</u>	<u>-</u>
Legal debt margin		<u>\$ 32,781,827</u>

See independent auditor's report.

ROGERS COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

	2010
Estimated population	83,105
Net assessed value as of January 1, 2009	\$ 655,636,539
Gross bonded debt	-
Less available sinking fund cash balance	-
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$ 130,429,290	\$ 115,904,148	\$ 429,157,314	\$ 19,854,213	\$ 655,636,539	\$ 5,960,332,173

See independent auditor's report.

FINANCIAL SECTION



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521.3495 • Fax: 405-521.3426

Independent Auditor's Report

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Rogers County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Rogers County as of June 30, 2010, or changes in its financial position for the year then ended.

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 of Rogers County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2012, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. 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 basic financial statement, such information is an integral part of the regulatory presentation for county government. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

June 19, 2012

Basic Financial Statement

ROGERS COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:				
County General Fund	\$ 7,637,267	\$ 15,630,628	\$ 17,952,508	\$ 5,315,387
Criminal Justice	700,520	2,720,739	2,827,961	593,298
Use Tax	48,687	796,279	844,966	
T-Highway	1,230,265	4,359,579	3,993,923	1,595,921
Resale Property	409,255	283,559	285,777	407,037
Civil Defense/Emergency Management	11,586	67,921	67,690	11,817
County Health	822,217	1,043,105	878,529	986,793
Sheriff Drug Enforcement	2,235			2,235
Sheriff Civil Fee	189,828	315,450	329,120	176,158
County Clerk Lien Fee	23,097	25,228	19,209	29,116
Treasurer Mortgage Certification Fee	58,024	20,963	6,122	72,865
County Clerk Record Preservation	65,677	98,358	108,657	55,378
Planning Commission Engineering Fees	5,224	2,500	4,000	3,724
Sheriff Commissary	72,180	164,792	162,922	74,050
Sheriff Service Fees	47,074	80,983	99,032	29,025
Sheriff Jail Account	3,001,637	2,600,923	2,849,366	2,753,194
Safe Room Rebate	1			1
Attendant Care	5,670	4,440	7,605	2,505
Community Development Block Grant - RWD #9	80			80
Assessor Revolving	19,924	2,598	5,376	17,146
Energy Grant E-911		3,475		3,475
Community Development Block Grant - Advanced Research Chemical, Inc.		100,000	112,800	(12,800)
Sheriff Special Account	4,670	3,630	6,544	1,756
Community Emergency Response Team (CERT)	153			153
County Courthouse Project		505,748	505,748	
Combined Total - All County Funds	\$ 14,355,271	\$ 28,830,898	\$ 31,067,855	\$ 12,118,314

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, 2010**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Rogers County, Oklahoma. The financial statement referred to includes only the primary government of Rogers County, Oklahoma and does not include financial information for any of the primary government's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the primary government. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

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 funds included as supplementary information within the financial statement:

County General Fund – revenues are from ad valorem taxes, officer's fees, sales tax, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Criminal Justice – revenues are from County sales tax and disbursements are for the payment of bonds sold to build the jail. Excess revenues are used for general operations of the county jail.

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

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Resale Property – revenues are from interest and penalties on ad valorem taxes paid late. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

Civil Defense/Emergency Management – revenues are from state and federal funds. Disbursements are for civil defense and emergency management services.

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes, state and local revenues, and miscellaneous fees charged by the health department. Disbursements are for the operation of the county health department.

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

Sheriff Civil Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Treasurer Mortgage Certification Fee – revenues are from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

County Clerk Record Preservation – revenues are from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records.

Planning Commission Engineering Fees – revenues are from building permits, licenses, and engineering fees. Individuals put up \$500 for projects. Disbursements are made back to individuals once projects are approved.

Sheriff Commissary – revenues are from profits on commissary sales in the county jail. Disbursements are for jail improvements.

Sheriff Service Fees – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff's office.

Sheriff Jail Account – revenues are from a county sales tax. Disbursements are for the maintenance and operation of the jail, salaries, food, medical expenses, board of prisoners, and travel.

Safe Room Rebate – accounts for federal grant funds received for the reimbursement of storm shelter installation.

Attendant Care – revenues are from state funds. Disbursements are for the payment to counselors to sit and spend time with juveniles.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Community Development Block Grant – RWD #9 – revenues are from a federal grant. Disbursements are for improvements to Rural Water District #9.

Assessor Revolving – revenues are from fees charged by the County Assessor (copies, etc.). Disbursements are for any legal expense of the Assessor’s office.

Energy Grant 9-11 – revenues are from a federal grant. Disbursements are for building and operations of an Emergency Management Center.

Community Development Block Grant – Advanced Research Chemical, Inc. – revenues are from a federal grant for the purpose of building a railroad spur at the Port of Catoosa.

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

Community Emergency Response Team (CERT) – accounts for the receipt and disbursement of funds from federal and state sources for emergency management and other civil defense purposes.

County Courthouse Project – revenues are from County sales tax and disbursements are for the payment of bonds sold to build the courthouse.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, fire districts, school districts, fairboard, 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.

C. Basis of Accounting

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

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).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

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, 2010**

G. Compensated Absences

All full-time employees are entitled to vacation leave that is accrued on a monthly basis in accordance with schedule outlined below.

Years of Service	Vacation Leave	Accumulated Carryover
1-10 years	80 hours per calendar year	0 hours
Over 10 years	120 hours per calendar year	0 hours

No vacation leave shall be accumulated or carried over to the succeeding calendar years unless special circumstances warrant an exception, as determined by the supervising elected county official. Upon separation from employment, an employee will be paid for the balance of any unused vacation leave.

All full-time employees are entitled to sick leave with pay that is accrued on a monthly basis in accordance with the schedule outlined below.

Years of Service	Sick Leave	Accumulation Limits
0-1 year	48 hours per calendar year	48 hours
1 year after date of hire until January 1 st of following year	8 hours per calendar month (prorated to date of hire)	144 hours
Thereafter	96 hours per calendar year effective January 1st	960 hours

When terminating employment with the County, an employee may not collect pay for accrued and unused sick leave.

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."

The assessed property value as of January 1, 2009, was approximately \$655,636,539.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.01 mills for general fund operations, 0.23 mill for fairboard, and 1.54 mills for

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

county health department. In addition, the County collects the ad valorem taxes assessed by school districts, emergency medical districts, and fire districts and remits the ad valorem taxes collected to the appropriate taxing units.

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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Current year tax collections for the year ended June 30, 2010, were approximately 96.62 percent of the tax levy.

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

ACCO-SIG – The County is exposed to the various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group (ACCO-SIG). If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

6. 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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 10.5% and 15.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 15.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2009, 2008, and 2007, were \$1,170,493, \$928,965, and \$894,416, respectively, equal to the required contributions for each year.

2.5% Step-Up. Members have the option to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service.

7. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

8. Contingent Liabilities

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. The County won on summary judgment; however, the plaintiff filed a request for a new trial. The request for a new trial was overruled by the trial court. The plaintiff then filed a certificate of appeal. The Appellate Court affirmed in part, reversed in part, and remanded the case back to the District

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Court for further proceedings. On May 2, 2012, the plaintiff was awarded \$27,929,657.12, with interest accruing at \$4,017.28 per day at the statutory rate of 5.25% for the calendar year of 2012 and thereafter at the rate prescribed in Oklahoma Statutes Title 12 § 727.1.

9. Sales Tax

On February 5, 2008, 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, operation, and maintenance of the county road and bridge system.

The voters of Rogers County approved a ½ % 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 ½% sales tax became effective May 1, 1997, and continues thereafter, but reduces 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.

On December 8, 2009, Rogers County voters approved to extend the one-third of the one-half cent (one-sixth) sales tax 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.

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, 2010

	County Health Department Fund		
	Final		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 822,217	\$ 822,217	\$ -
Less: Prior Year Outstanding Warrants	(66,710)	(66,710)	
Less: Prior Year Encumbrances	(59,812)	(55,914)	3,898
Beginning Cash Balances, Budgetary Basis	<u>695,695</u>	<u>699,593</u>	<u>3,898</u>
Receipts:			
Ad Valorem Taxes	917,891	999,423	81,532
Charges for Services		38,924	38,924
Intergovernmental Revenues		245	245
Miscellaneous	243,682	4,513	(239,169)
Total Receipts, Budgetary Basis	<u>1,161,573</u>	<u>1,043,105</u>	<u>(118,468)</u>
Expenditures:			
Health and Welfare	1,857,268	881,890	975,378
Total Expenditures, Budgetary Basis	<u>1,857,268</u>	<u>881,890</u>	<u>975,378</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	860,808	<u>\$ 860,808</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		82,427	
Add: Current Year Outstanding Warrants		43,558	
Ending Cash Balance		<u>\$ 986,793</u>	

The accompanying note to the other supplemental information is an integral part of this schedule. See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Budgetary Schedules

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 Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the County Health Department Fund presents 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

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

See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Passed Through Oklahoma State Treasurer:			
Flood Control Projects	12.106		\$ 19,238
Total U.S. Department of Defense			<u>19,238</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		100,000
Total U.S. Department of Housing and Urban Development			<u>100,000</u>
U.S. DEPARTMENT OF ENERGY			
Direct Grant:			
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		3,475
Total U.S. Department of Energy			<u>3,475</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1754	117,420
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1876	111,621
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1883	153,491
Total CFDA 97.036			<u>382,532</u>
Hazard Mitigation Grant	97.039		5,800
Emergency Management Performance Grants	97.042		40,126
Total U.S. Department of Homeland Security			<u>428,458</u>
Total Expenditures of Federal Awards			<u>\$ 551,171</u>

The accompanying note is an integral part of this schedule.
See independent auditor's report.

**ROGERS COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Basis of Presentation

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

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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 the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2010, which 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 June 19, 2012. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rogers County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rogers County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-10, 2010-11, and 2008-15.

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 in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2010-1, 2010-2, 2010-3, 2010-5, 2010-6, 2010-12, 2010-14, 2010-17, 2010-20, 2010-21, and 2010-24.

As part of obtaining reasonable assurance about whether Rogers County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-15.

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

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a long horizontal flourish extending to the right.

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

June 19, 2012



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Rogers County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Rogers County's major federal program for the year ended June 30, 2010. Rogers County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Rogers County's management. Our responsibility is to express an opinion on Rogers County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rogers County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rogers County's compliance with those requirements.

As described in item 2010-16, in the accompanying schedule of findings and questioned costs, Rogers County did not comply with requirements regarding Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment that are applicable to its Disaster Grants - Public Assistance (Presidentially Declared Disasters) program. Compliance with such requirements is necessary, in our opinion, for Rogers County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Rogers County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rogers County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rogers County's internal control over compliance.

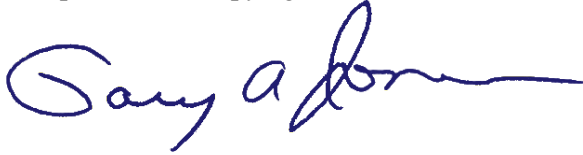
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-16 and 2010-22 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, as items 2010-13 and 2010-23 to be significant deficiencies.

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

This report is intended solely for the information and use of management, those charged with governance, others within the entity, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than the specified parties. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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

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

June 19, 2012

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

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

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?..... Yes

Identification of Major Programs

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Disaster Grants – Public Assistance
(Presidentially Declared Disasters)

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

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

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2010-1 – Backup Tapes, Disaster Recovery Plans, and Computer Usage Policies (Repeat Finding)

Condition:

- The County Treasurer, County Assessor, County Sheriff, and the Board of County Commissioners do not have written Disaster Recovery Plans.
- The County Treasurer, County Clerk, and County Assessor do not have a plan that forecasts and budgets for the future computer needs of the County.
- There is inadequate security over the computers and systems in the County Treasurer, County Clerk, and the County Assessor’s offices:
 - In the County Treasurer, County Clerk, and County Assessor’s offices, the computer system does not log users off for inactivity, users do not always log off when they leave their computers unattended, and screen savers are not password protected.
 - In both the County Clerk and County Assessor’s offices passwords are not required to be changed unless compromised.
 - In the County Clerk’s office, permissions are not restricted by user.
 - All offices on Terra Scan have access to each other’s data.
 - Back-ups are not tested regularly.
- The County did not maintain records regarding the version and updates made to the Terra Scan system.

Cause of Condition: Procedures have not been designed to develop and implement a Disaster Recovery Plan and policies and security for the appropriate use of county computer equipment.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. By not locking computers after periods of inactivity, exposes computers to unauthorized access, and increases the opportunities for misuse of county assets.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan which is stored offsite to ensure the safekeeping and integrity of the County’s data. Management should also establish and implement a computer and internet policy that describes acceptable computer and internet usage by county employees. OSAI further recommends that computers are set to require a password to sign into after a period of inactivity.

Management Response:

Mike Helm, Chairman, Board of County Commissioners –

Assessor’s Office responded to the need for a “Disaster Recovery Plan” – To fulfill the need for a more extensive and comprehensive plan they have been working with Tulsa County and plan to use a similar

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

updated plan. The Assessor's Office will change passwords every 6 months on computers. Will work with IT Department to create the Disaster Recovery and implementation. IT Director reported that there is currently a Disaster Recovery Plan in place for the Assessor's Office that is stored off site at a local bank in a safety deposit box.

Sheriff's Office reported that they are implementing a "Disaster Recovery Plan" and will be working on a comprehensive plan that meets the auditor's request.

Cathy Pinkerton Baker – Rogers County Treasurer –

For the audits of the past years, my office will try to assure that the findings have been corrected at this time and if not will try to the best of my ability and my workers' to correct what errors have occurred and hope to have them resolved.

Peggy Armstrong – Rogers County Clerk –

The County Clerk's Office has Lien Fee Account and Preservation Record Fee Account that monies are always put into Capital outlay for such purchases as needed computers.

The County Clerk's Office computer passwords are not required to be changed unless compromised or we have a breach. That is correct. Corrective measures will be taken.

In the County Clerk's Office, KellPro software is restricted by user. In-house tape back-up is conducted every night by the County Clerk's Office and KellPro does off-site backup (disaster recovery) every night. But, back-ups are not tested regularly. Corrective measures will be taken.

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4) information services function, management should ensure that a written disaster recovery plan is documented and contains the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

Also, according to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support) DS11.6 Security Requirements for Data Management, management should define and implement policies and procedures to identify and apply security requirements applicable to the receipt, processing, storage and output of data to meet business objectives, the organization's security policy and regulatory requirements.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2010-2 –Reconciliation (Repeat Finding)

Condition: Based on our documentation of controls and test work, reconciliations are not performed between the County Clerk's Appropriation Ledger and the Treasurer's General Ledger.

Cause of Condition: Procedures have not been designed for the County Clerk and County Treasurer to work together to reconcile the Appropriation Ledger and the General Ledger.

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

Recommendation: OSAI recommends management take steps to ensure reconciliations are performed between the County Clerk's Appropriation Ledger and the Treasurer's General Ledger.

Management Response:

Peggy Armstrong – Rogers County Clerk –

This issue has been resolved due to the implementation of new computer software KellPro. Reconciliations are performed between the County Clerk's appropriation ledger and Treasurer's general ledger.

Cathy Pinkerton Baker – Rogers County Treasurer –

For the audits of the past years, my office will try to assure that the findings have been corrected at this time and if not will try to the best of my ability and my workers' to correct what errors have occurred and hope to have them resolved.

Criteria: To help ensure a proper accounting of funds, the County Clerk's Appropriation Ledger should be reconciled monthly to the Treasurer's General Ledger.

Finding 2010-3 – Inadequate County-Wide Controls (Repeat Finding)

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the County.

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess 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.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between officers	Periodic meetings to address items that should be included in the handbook and to determine if the County is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the County for accuracy and completeness.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the County.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response: Management did not respond.

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

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

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

Finding 2010-5 – Bank Reconciliations (Repeat Finding)

Condition: Reconciliations between the County Treasurer’s accounting records and the banks contained multiple unexplained variances and were not reviewed and approved by someone other than the preparer.

Cause of Condition: Procedures have not been designed to ensure the reconciliations with banks are performed, variances are investigated, and the reconciliations are reviewed and approved by someone other than the preparer.

Effect of Condition: By failing to determine the cause of variances on reconciliations and by not having reconciliations reviewed and approved by someone other than the preparer, the risk of unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds increases.

Recommendation: OSAI recommends management take steps to ensure that bank reconciliations are performed on a monthly basis, all variances are investigated and resolved, and reconciliations are approved and reviewed by someone other than the preparer.

Management Response:

Cathy Pinkerton Baker – Rogers County Treasurer –

For the audits of the past years, my office will try to assure that the findings have been corrected at this time and if not will try to the best of my ability and my workers’ to correct what errors have occurred and hope to have them resolved.

Criteria: To help ensure a proper accounting of funds, the County Treasurer should reconcile accounting records to bank balances on a monthly basis, with all reconciling items properly identified. Reconciliations should be reviewed and approved by someone other than the preparer.

Finding 2010-6 – Purchasing (Repeat Finding)

Condition: Our test of 56 purchase orders revealed the following:

- There was no receiving report in one instance (#2329).
- There was not adequate supporting documentation in one instance (#244).

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- The invoice date and/or service date were prior to the encumbrance date for purchase orders in one instance (#909174).

Cause of Condition: The County is not following established purchasing procedures and is in violation of state statutes.

Effect of Condition: The County runs the risk of misappropriation of funds and the possibility of not having adequate funds available to pay for expenses incurred.

Recommendation: OSAI recommends Rogers County practice proper purchasing procedures. All purchases should be properly requisitioned, encumbered, approved, and received with proper supporting documentation attached.

Management Response:

Peggy Armstrong – Rogers County Clerk –

The County Clerk's Office is aware proper purchasing procedures are not being followed. We indicate this on purchase orders as they are submitted. Remind the offices daily and send out memos annually regarding this procedure. Corrective measures will be to work harder to make sure all purchases are properly requisitioned, encumbered, approved and received with proper supporting documentation attached.

Criteria: Statutory control procedures have been established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation and capital expenditures of county government.

Title 19 O.S. § 1505.C.2 states in part:

The county clerk shall then encumber the amount stated on the purchase order and assign a sequential number to the purchase order.

Title 19 O.S. § 1505.C.3 states in part:

...In instances where it is impossible to ascertain the exact amount of the indebtedness sought to be incurred at the time of recording the encumbrance, an estimated amount may be used. No purchase order shall be valid unless signed by the county purchasing agent and certified by the county clerk.

Title 19 O.S. § 1505.E.10 states:

Upon receipt of an invoice, the county clerk shall compare the following documents: a. requisition, b. purchase order, c. invoice with non-collusion affidavit, as required by law, d. receiving report, and e. delivery document.

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Finding 2010-10 – Segregation of Duties – Payroll (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Clerk’s office because one deputy enrolls new employees, reviews the payroll claims, calculates amounts to be paid to the employees and payroll related agencies, updates the master payroll file, issues payroll, prints payroll warrants, and removes terminated employees from payroll.

Cause of Condition: Procedures have not been designed to adequately segregate the duties within the payroll department.

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

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.

The following key accounting functions of the payroll process should be adequately segregated:

- Enrolling new employees and maintaining personnel files.
- Reviewing time records and preparing payroll.
- Distributing payroll warrants to individuals.

Management Response:

Peggy Armstrong – Rogers County Clerk –

The County Clerk’s Office has limited personnel. Rogers County has a Human Resources Director hired February 2012, that enrolls new employees and maintains personnel files. A second employee now reviews time records and after “Verification” has been printed, the second employee verifies the totals with the payroll clerk and the figures are double-checked with KellPro’s report and verifies that both sets of documents match.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2010-11 – Segregation of Duties – County Treasurer (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Treasurer’s office because one person is responsible for issuing all miscellaneous receipts, posting to the daily reports, posting to the general

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ledger, preparing monthly reports, preparing monthly apportionments, maintaining the investment ledger, issuing bond payments via electronic transfer, and reconciling the general bank account.

Additionally, OSAI noted that there was no evidence that daily closeouts for ad valorem collections, official depository collections, and miscellaneous collections were reviewed by anyone other than the preparer.

Cause of Condition: Management has not implemented procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed.

Additionally, management has not established procedures for the review of daily closeouts by someone other than the preparer.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that a system of internal controls be implemented to provide reasonable assurance that duties are adequately segregated. The duties of receipting, depositing, and maintaining ledgers/reconciliations should be segregated. If duties cannot be properly segregated, procedures should be designed to mitigate risks such as monitoring and review of processes.

Management Response:

Cathy Pinkerton Baker – Rogers County Treasurer –

For the audits of the past years, my office will try to assure that the findings have been corrected at this time and if not will try to the best of my ability and my workers' to correct what errors have occurred and hope to have them resolved.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2010-12 - Segregation of Duties – Sheriff (Repeat Finding)

Condition: In the Sheriff's office, there is a lack in the segregation of duties in regards to the official depository account. One person is responsible for balancing the cash drawer, preparing deposit slips, taking deposits to the Treasurer, and reconciling the account. In addition, this same employee is preparing vouchers, signing vouchers, and posting vouchers to the ledger.

Cause of Condition: Procedures have not been designed to adequately segregate the duties.

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Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds in the Sheriff's official depository accounts.

Recommendation: OSAI recommends 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.

Management Response:

Mike Helm, Chairman, Board of County Commissioners –

Sheriff's Office is currently correcting issues with segregation of duties. They will implement all changes to correct findings with audit.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2010-14 – Footnote Disclosure (Repeat Finding)

Condition: Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

Cause of Condition: Procedures have not been designed to prepare the accompanying notes to the financial statement.

Effect of Condition: The potential exists for misstatements to go undetected, specifically for the completeness of financial statement disclosures.

Recommendation: OSAI recommends the County consider one or more of the following controls:

- Having at least one staff member with sufficient skills necessary to understand the application of accounting principles in regards to the preparation of footnote disclosures.
- Contract an outside firm or individual to review or prepare the accompanying notes to the financial statements to ensure appropriate disclosures are presented.

Management Response:

Peggy Armstrong – Rogers County Clerk –

The County has hired a Certified Public Accountant to do 2012-13 County Budget. This finding should be corrected for 2012-2013.

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Criteria: The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Statement on Auditing Standards (SAS) No. 115 indicates that a control deficiency exists when management does not have adequate expertise to apply accounting principles to the financial statements or to review financial statements prepared on their behalf by others, to ensure they are prepared in accordance with these principles. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

Finding 2010-15 – Criminal Justice Sales Tax (Repeat Finding)

Condition: On a monthly basis, sales tax was apportioned according to the sales tax ballots, with 1/3 of the one cent sales tax going to the Criminal Justice Sales Tax Revolving Fund. All sales tax collections apportioned to the Criminal Justice Authority were transferred via wire transfer to the bank for bond payments. Upon making the bond payment, the bank would then wire transfer the remaining funds back to Rogers County. Upon receiving the remainder of the funds from the bank, the County Treasurer again apportioned these funds to the Criminal Justice Sales Tax Revolving Fund, resulting in apportionments being overstated by \$1,096,592.26 on the financial statement.

Because the bond payments were not issued on purchase orders but rather wire transferred to the bank, the bank received \$421,720.92 less than was needed to pay off the bond. There is no review or controls in place to ensure that the bank retained the proper bond payment.

When trying to obtain the bond payment amortization schedule, OSAI contacted both the County Treasurer and County Clerk's offices but neither had any records regarding payments made on the bond or the bond amortization schedule. The amortization schedule had to be obtained from the bank.

Cause of Condition: Management did not establish nor implement procedures to oversee and review County sales tax collections and expenditures.

Effect of Condition: By failing to accurately account for sales tax collections on the County's financial statements and ensuring that County sales tax is expended using the proper procedures and in the appropriate amounts, the County increased the risk for misappropriation of assets and overstated the apportionments on the financial statement.

Recommendation: OSAI recommends management establish procedures to oversee and ensure sales tax collections are recorded accurately on the County's financial statements and all sales tax expenditures are issued by purchase order and warrants and are for the proper amounts.

Management Response:

Peggy Armstrong – Rogers County Clerk –

The procedures for sales tax collections for the Criminal Justice sales tax were established by previous Commissioners beginning 1998, 1999, or 2000; and current elected officials just followed what had

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already been established, because this finding was never written up in previous audits. Bonds for jail paid off on January 1, 2010.

Mike Helm, Chairman, Board of County Commissioners –

Have hired an outside legal representation for Criminal Justice Authority.

Cathy Pinkerton Baker – Rogers County Treasurer –

For the audits of the past years, my office will try to assure that the findings have been corrected at this time and if not will try to the best of my ability and my workers' to correct what errors have occurred and hope to have them resolved.

Criteria: Title 68 O.S. § 1370.E states in part:

... the proceeds of any sales tax levied by a county shall be deposited in the general revenue or sales tax revolving fund of the county and shall be used only for the purpose for which such sales tax was designated.

Additionally, to help ensure a proper accounting of funds, all sales tax collections should be expended on purchase order, be supported by adequate documentation, and reviewed for accuracy, and sales tax collections should be accurately reflected on the County's financial records.

Finding 2010-17 – Enrollment in the Oklahoma Public Employees Retirement System (Repeat Finding)

Condition: OSAI noted four employees did not receive OPERS benefits.

Cause of Condition: Procedures have not been designed to ensure all eligible employees are enrolled in OPERS.

Effect of Condition: All eligible employees may not have been participating in the pension plan. This could result in a possible liability to the County.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which these employees were eligible.

Management Response:

Peggy Armstrong – Rogers County Clerk –

The County hired a Human Resources Director beginning February 2012. This finding should be corrected in any future audits. County Clerk's Office was aware of this situation but could not always get the Commissioners to agree.

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of

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continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

Finding 2010-20 – Negative General Ledger Balance

Condition: At June 30, 2010, the Community Development Block Grant – Advanced Research Chemical, Inc. fund had a cash balance deficit of \$12,800.

Cause of Condition: Procedures have been designed by statute for the Treasurer’s Office to determine funds are available prior to registering warrants. However, the County did not follow the procedures and were in violation of state statutes.

Effect of Condition: This results in expending amounts greater than funds available.

Recommendation: OSAI recommends the County Treasurer verify cash is available to the fund prior to the registration of any warrants. OSAI recommends the County Treasurer follow the procedures outlined in 62 O.S. § 471-476 for registering warrants.

Management Response:

Peggy Armstrong – Rogers County Clerk –

County Clerk was aware of a negative cash balance of \$12,800 on CDBG-Advanced Research Chemical, Inc. - Error was made by the County Clerk and discovered shortly after the close of fiscal year 2009-2010. Called SA&I in Oklahoma City and was told to document what happened and the County would get written up for it at the next audit. Error noted.

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as verifying that there is sufficient cash on hand prior to registering warrants is a deficiency in internal control.

Title 62 O.S. § 471-476 outline procedures for registering warrants against available funds.

Finding 2010-21 - Official Depository Collections and Deposits

Condition: A receipt of \$335,475.01 was received on 12/20/09, but was not deposited until 1/8/10.

Cause of Condition: Procedures have not been designed to ensure receipts are deposited daily.

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

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Recommendation: OSAI recommends management take steps to ensure all monies are deposited daily and accounted for.

Management Response:

Cathy Pinkerton Baker – Rogers County Treasurer –

For the audits of the past years, my office will try to assure that the findings have been corrected at this time and if not will try to the best of my ability and my workers' to correct what errors have occurred and hope to have them resolved.

Criteria: Title 19 O.S. § 682 states in part:

It shall be the duty of each and every county officer, county board, county commissioner 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...

Title 19 O.S. § 121 states in part:

The county treasurer of each county shall deposit daily, not later than the immediately next banking day, all the funds and monies of whatever kind that shall come into his or her possession by virtue of the office as such county treasurer in the name of the county treasurer in one (1) or more banks located in the county and designated by the board of county commissioners as county depositories.

Finding 2010-24 – Commonly Used Items

Condition: Our test of purchase orders revealed the following purchases for a commonly used service (road striping) between July 2009 and December 2009 which were not bid as required by state statutes. These purchases averaged .3376 cents per linear foot. A bid was awarded on January 11, 2010, at .065 cents per linear foot.

<u>Purchase Order</u>	<u>Requisitioning Dept.</u>	<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
135	District #2	Time Striping, Inc	7/02/2009	\$9,832.00
220	District #3	Time Striping, Inc.	7/06/2009	\$9,979.00
1357	District #2	Time Striping, Inc.	8/13/2009	\$9,575.00
1934	District #2	Time Striping, Inc.	9/02/2009	\$9,400.00
1927	District #3	Time Striping, Inc.	9/02/2009	\$9,975.00
2050	District #3	Time Striping, Inc.	10/07/2009	\$9,937.00
3691	District #3	Time Striping, Inc.	11/09/2009	\$9,927.00
3951	District #2	Time Striping, Inc.	11/20/2009	\$9,965.00
4318	District #2	Time Striping, Inc	12/07/2009	\$9,993.00

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4322	District #3	Time Striping, Inc	12/07/2009	<u>\$9,600.00</u>
			Total	<u>\$98,183.00</u>

Cause of Condition: Procedures have not been designed to ensure commonly used services are bid as required by state statutes.

Effect of Condition: The County paid more for the service, per linear foot, when not bidding for a commonly used service. These purchases are in violation of the state statutes.

Recommendation: OSAI recommends the Purchasing Agent solicit, from county officials and department heads, recommendations of commonly used supplies, materials and equipment. The criterion for placing an item on the bid list should be that it is commonly used, not the item's size or price, the quantity needed, or the number of offices using the item. The County should maintain accurate pricing information to plan, budget, and requisition by placing items on a bid list and soliciting bids in advance of need.

Management Response:

Mike Helm, Chairman, Board of County Commissioners –

District 2 – Road Striping, Not Bid-Bid Award, will correct by checking with County Clerk's office purchasing agent to make certain there is a bid in place to conform with auditors' request on this item.

District 3 – will correct by checking with County Clerk's office to make sure the necessary bid is in place.

Criteria: Title 19 O.S. § 1505 (B) (1) states:

The bid procedure for selecting a vendor for the purchase, lease-purchase, or rental of supplies, materials, and equipment used by a county shall be as follows:

1. The county purchasing agent shall request written recommendations from all county officers pertaining to commonly used supplies, materials, and equipment. From such recommendations and available requisition, purchase, or inventory records, the county purchasing agent shall prepare a list of items commonly used by county officers. The county purchasing agent shall request from the Purchasing Division of the Department of Central Services all contracts quoting the price the state is paying for the items. The county purchasing agent shall either request the Purchasing Division of the Department of Central Services to make the purchase for the county or solicit bids for unit prices on the items for periods of not to exceed twelve (12) months in the manner described in paragraph 2 of this subsection. If the county purchasing agent receives a requisition for an item for which the county purchasing agent does not have a current bid, the county purchasing agent shall request from the Purchasing Division of the Department of Central Services all contracts quoting the price the state is paying for the item. The county purchasing agent shall either request the Purchasing Division of the Department of Central Services to make the purchase for the county or solicit bids in the manner

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described in paragraph 2 of this subsection. Nothing in this paragraph shall prohibit bids from being taken on an item currently on a twelve-month bid list, at any time deemed necessary by the county purchasing agent. Whenever the county purchasing agent deems it necessary to take a bid on an item currently on a twelve-month bid list, the reason for the bid shall be entered into the minutes of the board of county commissioners

SECTION 3—Findings related to the Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.

Finding 2010-13 – Schedule of Expenditures of Federal Awards (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1754, 1876, and 1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Eligibility; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Program Income; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: The County has not designed and implemented formal procedures for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

During our review and reconciliation of the Schedule of Expenditures of Federal Awards as initially prepared by Rogers County, expenditures were understated by \$300,023.

Cause of Condition: Procedures have not been designed to ensure compliance with grant requirements and proper expenditure of federal grant funds.

Effect of Condition: This condition resulted in misstatements of the Schedule of Expenditures of Federal Awards.

Recommendation: OSAI recommends the County establish procedures to ensure all Federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards.

Management Response: Management did not respond.

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Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

OMB A-133, Subpart C, §__.300 reads as follows:

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §__.310.

Additionally, FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work...This information should include the completed PW; completed Special Considerations Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and records of donated goods and services, if any.

Finding 2010-16 – FEMA Records – Documentation of Federal Expenditures (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1754, 1876, and 1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; and Procurement and Suspension and Debarment

QUESTIONED COSTS: \$563,072.68 (\$297,102.19 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Period of Availability of Federal Funds; \$858.51 for Matching, Level of Effort, Earmarking; and \$265,111.98 for Procurement, Suspension and Debarment)

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Condition: While reviewing support documentation for project worksheets (PW) tested in each District, we noted the following:

- District 1 –
 - There was no documentation to support the administrative expenses.
- District 2 –
 - There was inadequate supporting documentation for PW 694 and 948.
 - There was no documentation for labor and materials for PW 878.
 - There was no documentation to support the administrative expenses.
- District 3 –
 - There was no supporting documentation for PW 181.
 - There was no documentation to support the administrative expenses.

Cause of Condition: The County relied on FEMA representatives to inform them if the activities and costs were allowable. Adequate records were not maintained or well organized. Records for administrative expenses were not maintained. Procedures have not been designed to ensure compliance with *OMB Circular A-133*.

Effect of Condition: Districts 1, 2, and 3 were unable to document how they complied with applicable compliance requirements for these specific projects.

Recommendation: OSAI recommends that FEMA files be maintained for each FEMA project to provide evidence that the auditee is properly managing the federal awards and is in compliance with OMB Circular A-133's Compliance Requirements and OMB Circular A-87.

Management Response:

Mike Helm, Chairman, Board of County Commissioners –

District 2 - PW969, PW948 (Please note this PW has not been closed out currently), PW694 and PW878 – No documentation support administrative expenses. Will provide supporting documentation.

District 3 – Reported documentation issues with PW181 and will take necessary steps to correct. Had write up for no administrative expenses associated with a PW. This is because there were not any to report as far as the commissioner is aware of.

Criteria: OMB Circular A-87 C.1.j. states:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - j. Be adequately documented.

OMB Circular A-133 §__.300 states that the auditee shall:

Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in

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compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

OMB Circular A-133 §__.310 states in part:

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements...the schedule shall:

(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

FEMA Public Assistance Guide; Chapter 5, page 137, Project Management, Record Keeping states in part:

It is critical that the applicant establish and maintain accurate records of events and expenditures related to disaster recovery work... This information should include the completed PW; completed Special Consideration Questions form; estimated and actual costs; force account labor; force account equipment, materials, and purchases; photographs of damage, work underway, and work completed; insurance information; environmental and/or historic alternatives and hazard mitigation opportunities considered; environmental review documents; receipt and disbursement documents; and record of donated goods and services, if any.

Finding 2010-22 – Internal Controls Over Major Programs – FEMA (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1754, 1876, and 1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

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Cause of Condition: Procedures have not been designed to ensure compliance with *OMB Circular A-133*.

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

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

Management Response: Management did not respond.

Criteria: *OMB A-133, Subpart C, §__.300* reads as follows:

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

- (b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

Finding 2010-23 – County-Wide Controls Over Major Programs (Repeat Finding)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD NUMBER: 1754, 1876, and 1883

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed/Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching Level of Effort/Earmarking; Period of Availability; Procurement, Suspension and Debarment; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: County-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to ensure the County is in compliance with grant requirements.

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

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

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Examples of risks and procedures to address risk management for federal programs:

Risks	Procedures
Errors and misstatements in reporting	Independent review by another employee
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws and grant requirements	Attend workshops, ensure employees receive current compliance supplements
New employee errors	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring of federal programs:

Monitoring	Procedures
Communication between officers	Discussion in BOCC meetings to monitor progress of grant and compliance with grant requirements.
Schedule of Expenditures of Federal Awards (SEFA)	Review the SEFA of the County for accuracy and to determine all federal awards are presented.
Audit findings	Determine audit findings are timely corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Compliance with grant requirements	Ensure employees understand grant requirements for federal program and are provided with the latest version of the compliance supplement.

Management Response: Management did not respond.

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

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

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring

**ROGERS COUNTY, OKLAHOMA
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occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2010-4 - Estimate of Needs (Repeat Finding)

Condition: During the review of the County’s Estimate of Needs, it was determined that the receipts, disbursements, and ending cash balances on the 2009-2010 Estimate of Needs were inaccurate.

- The General Fund budget did not include the net revenues of \$333,333.34 in Sales Tax CD investments from FY2008 in the beginning General Fund balance; therefore, when \$300,000 was cashed in from the CD, revenues were overstated.
- The Treasurer’s records recorded \$7,161 more in expenditures than the Estimate of Needs.
- The Original and Final budgets did not balance. There was an unexplained variance in both budgets of \$1,709.
- Since Issued Warrants for T-Highway were added in twice on the Estimate of Needs creating a variance of \$203,858.89 between actual expenditures and those noted on the budget.
- Resale expenditures did not include payroll expenditures and were understated by \$38,680.83.
- Use Tax expenditures were understated by \$747,592.24.
- The expenditures noted on the Estimate of Needs for the Sheriff Service Fee, Planning and Engineering accounts were all understated and the Emergency Management expenditures were overstated.

Cause of Condition: Procedures have not been designed to ensure the County’s Estimate of Needs is accurate.

Effect of Condition: These conditions result in an inaccurate Estimate of Needs being approved by the Excise Board.

Recommendation: OSAI recommends management ensure that cash receipts and disbursements on the budget reconcile to the financial statements and that all amounts are identified and include supporting documentation.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Management Response:

Peggy Armstrong – Rogers County Clerk –

County has hired a Certified Public Accountant. Hopefully the County will not have a repeat finding for 2011 audit. The Board of County Commissioners has every intent to follow 68 O.S. § 3002.

Mike Helm, Chairman, Board of County Commissioners –

Have hired a CPA.

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

Additionally, 68 O.S. §3002 requires 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...

Finding 2010-7 - Consumable Inventory (Repeat Finding)

Condition: Our review of consumable inventory items revealed the following:

- At District 2, consumable stock cards did not agree with physical count.
- At District 3, consumable records do not exist. Consumable stock cards and fuel logs were not maintained and weekly warehouse summaries and transfer documents were not prepared.

Cause of Condition: The officials at the District barns are not requiring consumable records to be maintained, accurately updated, and reconciled to physical counts.

Effect of Condition: By not maintaining accurate consumable records, the County increases the risk of misappropriation of consumable inventory.

Recommendation: OSAI recommends management take steps to ensure consumable records be accurately maintained, physical counts of consumable items be performed every six months and a record of such be maintained, weekly warehouse summaries be prepared and filed with the Clerk, and transfer documents be completed for all consumable items removed from stock.

Management Response: Management did not respond.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Criteria: Title 19 O.S. §1502 prescribes the procedures to be used to account for supplies and materials used in the construction and maintenance of roads and bridges.

Finding 2010-8 - Reconciliations – Law Library (Repeat Finding)

Condition: The Law Library Fund was not reconciled to the Treasurer's balance as of June 30, 2010.

Cause of Condition: Management is not requiring a reconciliation be performed between the Law Library's financial record's balances and those of the County Treasurer.

Effect of Condition: By not reconciling to the Treasurer, the Court Clerk increases the risk of undetected errors that could result in misappropriation of assets.

Recommendation: OSAI recommends management take steps to ensure that the Law Library Fund is reconciled to the Treasurer's balance on a monthly basis and that the reconciliation be approved and reviewed by someone other than the preparer.

Management Response:

Mike Helm, Chairman, Board of County Commissioners –

Court Clerk's Office reported that they are working on correcting issues with segregation of duties within the Court Clerk's Office and issues concerning the Law Library. The Court Clerk's Office reported that they are working on correcting all discrepancies and will conform with the auditors' request.

Criteria: To help ensure a proper accounting of funds, a reconciliation should be performed between the Law Library Fund and the Treasurer.

Finding 2010-9 - Inmate Trust (Repeat Finding)

Condition: An examination of the inmate trust account revealed the following:

- There is a lack in the segregation of duties. One employee is responsible for receiving money, balancing cash drawer, preparing deposit slips, reconciling account balances, and posting payments to inmate records.
- Bank reconciliations were not reviewed or approved by someone other than the preparer.
- Multiple receipt books are being used. The receipt books are pre-numbered, but because multiple books are being used and the books are not always used in sequential order, the receipt number sequence cannot be traced to the deposits to ensure accuracy of the deposit.
- Several receipts were found in the receipt books and were not marked as void or defaced.
- Contract with the vending company is not being renewed and signed every year.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Cause of Condition: Procedures have not been designed to ensure adequate controls are in place to safeguard assets and a current and approved contract is in place for the vending company.

Effect of Condition: These conditions could result in misappropriation of assets, unrecorded transactions, and errors that could go undetected.

Recommendation: OSAI recommends the Sheriff implement procedures to ensure all collections are receipted in sequential order, receipts are reconciled to the deposits, all voided receipts are marked as “void” and defaced, all contracts are renewed and approved by the Board of County Commissioners yearly, and bank reconciliations are reviewed and approved by someone other than the preparer. Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Management Response:

Mike Helm, Chairman, Board of County Commissioners –
Sheriff’s Office will implement all changes to correct findings with audit.

Criteria: To help ensure a proper accounting of funds, all collections are receipted in sequential order, receipts are reconciled to the deposits, all voided receipts are marked as “void” and defaced, all contracts are renewed and approved by the Board of County Commissioners yearly, and bank reconciliations are reviewed and approved by someone other than the preparer.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2008-13 – FEMA – Schedule of Expenditures of Federal Awards

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: All

Finding Summary: The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. Also, the County has not designed an accounting system or year-end process to accumulate and report its in-kind labor and equipment charges reported on the Schedule of Expenditures of Federal Awards.

Status: Not Corrected

Finding 2008-14 – FEMA Records - Documentation of Federal Expenditures

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

Finding Summary: When performing test work of the County's projects, it was noted that there was insufficient documentation to support the federal monies disbursed on disasters #1678, #1735, and #1754.

Status: Not Corrected

Finding 2008-18 - Internal Controls Over Major Programs - FEMA

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

Finding Summary: During the process of documenting the County's internal controls regarding federal disbursements, we noted the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed and Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, and Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Status: Not Corrected

Finding 2008-19 – County-Wide Controls Over Major Programs

CFDA: 97.036

Federal Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Funding Agency: United States Department of Homeland Security

Finding Summary: County-wide controls regarding Control Environment, Risk Management, and Monitoring have not been designed.

Status: Not Corrected



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