



ROGERS COUNTY

Financial Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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October 5, 2020

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**ROGERS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Board of County Commissioners

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

County Assessor

Scott Marsh

County Clerk

Jeanne Heidlage

County Sheriff

Scott Walton

County Treasurer

Jason Carini

Court Clerk

Kim Henry

District Attorney

Matt Ballard

**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Rogers County as of June 30, 2018, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Rogers County, for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of Rogers County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Rogers County's internal control over financial reporting and compliance.

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 5, 2020

REGULATORY BASIS FINANCIAL STATEMENT

ROGERS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
Combining Information:						
County General Fund	\$ 5,730,843	\$ 11,193,736	\$ 1,165,615	\$ 2,423,625	\$ 12,987,947	\$ 2,678,622
County Highway Unrestricted	3,242,683	3,541,150	-	34,875	3,510,557	3,238,401
County Health	1,248,639	1,412,741	300	-	1,221,821	1,439,859
County Bridge and Road Improvement Fund (CBRIF)	1,204,747	543,985	500,000	692,520	152,830	1,403,382
Jail Sales Tax	3,197,885	2,857,421	-	60,000	5,764,422	230,884
Resale Property	1,346,356	449,275	519,950	540,000	423,740	1,351,841
Treasurer Mortgage Certification Fee	33,083	18,761	-	-	5,818	46,026
Littering Awards	920	-	-	920	-	-
Sheriff Drug Enforcement	1,545	-	-	-	-	1,545
County Clerk Lien Fee	36,052	20,786	200	100	17,148	39,790
County Clerk Records Management and Preservation	263,174	103,286	-	-	135,683	230,777
Sheriff Commissary	174,242	527,648	-	-	549,594	152,296
Dispatch Consolidated Service	163,280	-	-	-	163,280	-
Attendant Care	2,505	-	-	2,505	-	-
Community Development Block Grant						
16608-Port Coveris	325,861	160,000	-	80	485,781	-
Assessor Revolving Fee	5,171	738	20	-	-	5,929
Sheriff Grants	5,856	-	-	-	5,856	-
Use Tax-Sales Tax	1,028,907	3,548,220	110,000	110,000	3,101,340	1,475,787
Hazard Mitigation	800	-	-	800	-	-
Sheriff Service Fee	167,720	317,198	-	-	381,862	103,056
County Donations	21,410	16,552	34,875	-	5,725	67,112
911 Phone Fees	446,330	14,291	-	-	459,332	1,289
Sheriff Forfeiture	1,485	84,026	-	-	57,029	28,482
Planning and Zoning	58,995	35,157	-	-	25,228	68,924
Drug Court	160,188	211,415	-	-	214,669	156,934
Jail	86,821	5,507,686	60,000	-	2,983,773	2,670,734
Free Fair Board	101,175	209,925	110,000	110,000	168,563	142,537
Courthouse Improvement Sales Tax	-	1,426,093	-	-	1,426,093	-
Judgement Debt Sales Tax	-	3,918,903	-	-	3,918,903	-
Office of Justice Programs Bullet Proof Vest Grant	-	11,455	27,500	-	26,850	12,105
Community Development Block Grant						
16721-Tacora Phase II	-	200,000	-	-	200,000	-
Cash In Office	1,720	-	100	1,820	-	-
Roads and Bridges Sales Tax	-	7,750,804	1,241,869	-	4,835,735	4,156,938
Sheriff Board of Prisoners	-	205,490	-	-	11,974	193,516
Court Clerk Payroll	-	350,768	38,415	-	265,663	123,520
Emergency Management	35,465	22,500	-	-	22,434	35,531
Combined Total - All County Funds as Restated	\$ 19,093,858	\$ 44,660,010	\$ 3,808,844	\$ 3,977,245	\$ 43,529,650	\$ 20,055,817

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, 2018**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. During the fiscal year ended June 30, 2018, the County converted to a new chart of accounts; therefore, several fund names and descriptions changed. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

County General Fund – accounts for the general operations of the government with revenues from ad valorem taxes, officers' fees, sales tax, interest earnings, and miscellaneous collections of the County.

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

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

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Jail Sales Tax – accounts for the collection of the one-half percent (½ %) County sales tax that is to be administered by the Rogers County Criminal Justice Authority in accordance with the sales tax ballot.

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

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

Littering Awards – accounts for the revenue received from the Court Clerk for littering fines. Disbursement of funds as restricted by Title 22 O.S. § 1334.

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

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

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

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

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

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

Community Development Block Grant 16608-Port Coveris – accounts for federal grant revenues to be used for the purpose of parking and facilities improvements to an existing Port of Catoosa facility leased by Coveris High Performance Packaging.

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Use Tax-Sales Tax – accounts for revenues from sales tax charged to out-of-county vendors on in-county sales and for excess sales and use tax returned from the bank trust after bond payments are made. Disbursements are for any legal expenditure of the County.

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

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees and Court Clerk fees as restricted by state statute.

County Donations – accounts for revenues from various sources as gifts to the County. Disbursements are restricted for the purposes the donation was intended.

911 Phone Fees – accounts for revenue from collection of fees charged on telephone bills for the County’s emergency 911 system. Disbursements are for expenditures related to providing these services.

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

Planning and Zoning – accounts for the collection of building permit fees, utility permit fees, engineering fees, and licenses. Disbursements are used for the salaries and general operations of the Planning Commission Office.

Drug Court – accounts for the contractual payments from the Oklahoma State Department of Mental Health and Substance Abuse and fees collected from drug court participants. Disbursements are for the operational cost of running the Drug Court Program.

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

Free Fair Board – accounts for revenues from ad valorem taxes to be used for the maintenance and operations of the Rogers County Free Fair.

Courthouse Improvement Sales Tax – accounts for the collection of sales tax revenue and disbursement of funds as restricted by the sales tax ballot.

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Judgement Debt Sales Tax – accounts for the collection of sales tax revenue. Disbursements are for the payment of the judgment in the Material Services Corporation case as restricted by the sales tax ballot.

Office of Justice Programs Bullet Proof Vest Grant – accounts for federal revenues received from United States Office of Justice to be used for bullet proof vests for the County Sheriff's office.

Community Development Block Grant 16721 - Tacora Phase II – accounts for federal grant revenues to be used for the purpose of improvements to the Tacora Water Treatment Plant.

Cash in Office – accounts for the change funds held by various County offices.

Roads and Bridges Sales Tax – accounts for revenues from one cent sales tax to be used for the construction, improvement, maintenance, and repair of County roads and bridges.

Sheriff Board of Prisoners – accounts for revenue received from incarceration fees and monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections prisoners and disbursements as restricted by statute.

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

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

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

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

D. Long Term Obligations

1. Judgments

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

Sales Tax Revenue Bonds Series 2012

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

During fiscal year 2018, the Authority retired Series 2012 bonds in the amount of \$1,000,000. Additionally, to date, the Authority has made early principal payments totaling \$5,455,000 (\$1,395,000 in fiscal year 2018). These payments were applied to the bonds due to mature in 2036 thereby reducing total interest payments.

Future principal and interest payments for the retirement of the Series 2012 debt as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
8/01/2018	\$ 1,025,000	\$ 444,450	\$ 1,469,450
2/01/2019	-	434,200	434,200
8/01/2019	1,045,000	434,200	1,479,200
2/01/2020	-	421,138	421,138
8/01/2020	<u>21,015,000</u>	<u>421,138</u>	<u>21,436,138</u>
Total	<u>\$23,085,000</u>	<u>\$2,155,126</u>	<u>\$25,240,126</u>

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Sales Tax Revenue Refunding Bonds Series 2017

On August 1, 2017, the Authority issued \$22,600,000 in Sales Tax Revenue Refunding Bonds with interest rates ranging between 2.62% and 3.60%. The bonds were issued to refund the Sales Tax Revenue Bonds Series 2012 and to pay the costs and expenses of the issuance of the Series 2017 bonds. The Series 2017 bonds will also be repaid with the dedicated sales tax that shall expire and cease to be collected when said indebtedness of the Authority is paid.

Interest on the bonds is payable semi-annually on February 1st and August 1st at varying rates starting February 1, 2018. Principal payments are due semi-annually on February 1st and August 1st starting February 1, 2018. The Authority retired Series 2017 bonds in the amount of \$1,460,000 during fiscal year 2018.

Future principal and interest payments for the retirement of the Series 2017 debt as follows:

<u>FYE June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,435,000	\$ 661,175	\$ 3,096,175
2020	1,950,000	595,776	2,545,776
2021	2,015,000	536,750	2,551,750
2022	2,070,000	477,808	2,547,808
2023	2,140,000	418,654	2,558,654
2024-2028	<u>10,530,000</u>	<u>959,190</u>	<u>11,489,190</u>
Total	<u>\$21,140,000</u>	<u>\$3,649,353</u>	<u>\$24,789,353</u>

The Authority anticipates paying the Series 2012 bonds in full by August 1, 2020. The following investments, which were purchased with the Series 2017 funds and the excess sales tax received from the County, and the interest generated from these investments will be used to meet the debt service requirements for the Series 2012 bonds:

<u>Maturity Date</u>	US	<u>Interest Rate</u>	<u>Anticipated Interest Income to 7/31/2020</u>	<u>Total Available for Debt Service 7/31/2020</u>
	Treasury Note Share Amount			
7/31/2018	\$ 1,274,000	1.375%	\$ 8,759	\$ 1,282,759
1/31/2019	248,000	1.500%	3,720	251,720
7/31/2019	1,294,000	1.625%	31,541	1,325,541
1/31/2020	247,000	1.250%	6,175	253,175
7/31/2020	<u>21,263,000</u>	1.625%	<u>863,809</u>	<u>22,126,809</u>
	<u>\$24,326,000</u>		<u>\$914,004</u>	<u>\$25,240,004</u>

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

During the fiscal year 2018, the County collected a total of \$3,918,903 in sales tax collections dedicated for the obligation of the bonds issued to pay the judgment awarded against the County. These funds were remitted to the Rogers County Finance Authority. Since July 1, 2012, the County has remitted \$19,046,486 to the Rogers County Finance Authority in sales tax dedicated for the obligation of the bonds issued to pay the judgment awarded against the County.

E. Sales Tax

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

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

Sales Tax of December 8, 2009

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

Sales Tax of June 26, 2012

On June 26, 2012, Rogers County voters approved an additional one-third percent (1/3%) sales tax effective July 1, 2012, providing that the purpose of such sales tax shall be solely to pay the principal and interest on indebtedness incurred by the Roger County Finance Authority for the purpose of satisfying indebtedness incurred on behalf of satisfying debt in Case No. CJ-2004 – 234 in the District Court of Mayes County. Said sales tax will expire and cease to be collected when said indebtedness of the authority is paid; fixing effective date; making provisions cumulative, and

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

providing severability of provisions, to be provided. These funds are accounted for in the Judgement Debt Sales Tax fund.

Sales Tax of August 13, 2013

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

F. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$209,966 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2018.

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

G. Interfund Transfers

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- \$500,000 was transferred from the County Bridge and Road Improvement Fund (CBRIF) to the County General Fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from the County General Fund to the County Bridge and Road Improvement Fund (CBRIF) for the repayment of loan in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from Resale Property fund to the County General Fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$500,000 was transferred from the County General Fund to Resale Property fund for the repayment of loan in accordance with 68 O.S. § 3021.
- \$27,500 was transferred from the County General Fund to the Office of Justice Programs Bullet Proof Vest Grant fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$4,194 was transferred from the Cobra fund (a trust and agency fund) to the County General Fund by Board of County Commissioners (BOCC) approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$1,275 was transferred from the Deferred Savings fund (a trust and agency fund) to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$920 was transferred from the Littering Awards fund to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$2,505 was transferred from the Attendant Care fund to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$800 was transferred from the Hazard Mitigation fund to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$80 was transferred from the Community Development Block Grant 16608 – Port Coveris fund to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$40,000 was transferred from the Resale Property fund to the County General Fund as authorized by 68 O.S. § 3137.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- \$38,415 was transferred from the County General Fund to the Court Clerk Payroll fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$14,786 was transferred from the County General Fund to the Official Depository fund (a trust and agency fund) to close and hold investments from County General Fund certificate of deposit 27530.
- \$50,550 was transferred from the County General Fund to the Official Depository fund (a trust and agency fund) to close and hold investments from County General Fund certificate of deposit 45088.
- \$50,505 was transferred from the County General Fund to the Official Depository fund (a trust and agency fund) to close and hold investments from the County General Fund certificate of deposit 6272.
- \$115,841 was transferred from the Official Depository fund (a trust and agency fund) to County General Fund to establish County General Fund certificate of Deposit 769083.
- \$1,241,869 was transferred from the County General Fund to the Roads and Bridges Sales Tax fund by BOCC approved transfer resolutions to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$34,875 was transferred from the County Highway Unrestricted fund to the County Donations fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$1,200 was transferred from the Cash in Office fund to the Resale Property fund to reclassify cash on hand.
- \$20 was transferred from the Cash in Office fund to the Assessor Revolving Fee fund to reclassify cash on hand.
- \$100 was transferred from the County Clerk Lien Fee fund to the Cash in Office fund to increase cash on hand for the County Clerk's office.
- \$200 was transferred from the Cash in Office fund to the County Clerk Lien Fee fund to reclassify cash on hand.
- \$100 was transferred from the Cash in Office fund to the Court Clerk Revolving fund (a trust and agency fund) to reclassify cash on hand.
- \$300 was transferred from the Cash in Office fund to the County Health fund to reclassify cash on hand.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- \$192,520 was transferred from the County Bridge and Road Improvement Fund (CBRIF) to the Emergency Transportation Revolving fund (a trust and agency fund) for the repayment of loan in accordance with 68 O.S. § 3021.
- \$60,000 was transferred from the Jail Sales Tax fund to the Jail fund to correct a FY 2017 apportionment error.
- \$18,750 was transferred from the Excess Resale Property fund (a trust and agency fund) to the Resale Property fund as authorized by 68 O.S. § 3131.
- \$110,000 was transferred from the Use Tax-Sales Tax fund to the Free Fair Board fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$110,000 was transferred from the Free Fair Board fund to the Use Tax-Sales Tax fund for the repayment of loan in accordance with 68 O.S. § 3021.

H. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. Cash on Hand fund was reclassified as a county fund to account for the County funds retained in the various office as start up cash. Littering Awards fund was reclassified as a county fund and accounts for revenue received from the Court Clerk for littering fines and the disbursement of funds as restricted by Title 22 O.S. § 1334. Free Fair Board fund was reclassified as a county fund and accounts for revenues from ad valorem taxes to be used for the maintenance and operations of the Rogers County Free Fair.

Prior year ending balance, as reported	\$18,990,043
Funds reclassified to County Funds:	
Cash on Hand fund from a	
Trust and Agency Fund to a County Fund	1,720
Littering Awards fund reclassified from a	
Trust and Agency Fund to a County Fund	920
Free Fair Board fund reclassified from a	
Trust and Agency Fund to a County Fund	<u>101,175</u>
Prior year ending balance, as restated	<u>\$19,093,858</u>

SUPPLEMENTARY INFORMATION

ROGERS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund		
	Budget	Actual	Variance
County Sheriff	\$ 2,536,142	\$ 2,525,761	\$ 10,381
County Treasurer	343,466	343,341	125
County Commissioners	53,157	52,014	1,143
County Commissioners O.S.U. Extension	250,916	210,054	40,862
County Clerk	527,174	516,541	10,633
Court Clerk	421,439	376,350	45,089
County Assessor	453,237	447,143	6,094
Revaluation of Real Property	492,308	491,864	444
General Government	3,381,621	3,048,093	333,528
Excise - Equalization Board	5,001	3,667	1,334
County Election Expense	262,077	255,631	6,446
Insurance - Benefits	1,570,206	1,478,158	92,048
Information Technology	97,042	96,029	1,013
Planning Commission	290,320	281,816	8,504
Charity	9,500	3,800	5,700
One Cent Sales Tax Dist #1	1,215,878	424,803	791,075
One Cent Sales Tax Dist #2	807,865	468,864	339,001
One Cent Dist #3	372,786	323,952	48,834
Emergency Management	79,853	65,715	14,138
911 Dispatchers	757,998	757,998	-
General Highway Dist #1	203	-	203
General Highway Dist #2	453	436	17
General Highway Dist #3	5,000	3,686	1,314
County Audit Budget Account	201,478	201,478	-
Cemetery Acct Dist #1	54,400	46,530	7,870
Cemetery Acct Dist #2	40,200	28,188	12,012
Cemetery Acct Dist #3	10,002	10,000	2
Maintenance Department Account	331,187	321,442	9,745
Total Expenditures, Budgetary Basis	<u>\$ 14,570,909</u>	<u>\$ 12,783,354</u>	<u>\$ 1,787,555</u>

ROGER COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,298,717	\$ 1,402,854	\$ 895,863
Total Expenditures, Budgetary Basis	\$ 2,298,717	\$ 1,402,854	\$ 895,863

**ROGERS COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Budgetary Schedules

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	N/A	\$ 32,891
Total U.S. Department of Defense			<u>32,891</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the State of Oklahoma Department of Commerce:			
Community Development Block Grant/ State's program and Non-Entitlement Grants in Hawaii	14.228	16608-15	485,781
Community Development Block Grant/ State's program and Non-Entitlement Grants in Hawaii	14.228	16721-16	249,950
Total U.S. Department of Housing and Urban Development			<u>735,731</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	84,696
Total U.S. Department of Interior			<u>84,696</u>
U.S. DEPARTMENT OF JUSTICE			
Passed Through the Oklahoma District Attorneys Council:			
National Criminal History Improvement Program (NCHIP)	16.554	2017-RU-BX-K0	17,067
Direct Grant:			
Bulletproof Vest Partnership Program	16.607	N/A	11,455
Passed Through the Oklahoma District Attorneys Council:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG-LLE-2017-Rogers Co-00020	9,900
Total U.S. Department of Justice			<u>38,422</u>
U.S. DEPARTMENT OF ENERGY			
Passed Through the State of Oklahoma Department of Commerce:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	N/A	272,500
Total U.S. Department of Energy			<u>272,500</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of Oklahoma Department of Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG 17	13,272
Total U.S. Department of Federal Emergency Management			<u>13,272</u>
Total Expenditures of Federal Awards			<u>\$ 1,177,512</u>

ROGERS COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 the Uniform Guidance.

Indirect Cost Rate

Rogers County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR § 200.414(f).

Outstanding Loans

As of June 30, 2018, CFDA 81.128 – ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) had an outstanding loan balance of \$258, 522.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Rogers County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprises Rogers County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 5, 2020.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Rogers County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Rogers County's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogers County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule



of findings and questioned costs that we consider to be material weaknesses: 2018-001, 2018-004, 2018-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rogers County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-005.

We noted certain matters regarding statutory compliance 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 Response to Findings

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

Purpose of this Report

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

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 5, 2020

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

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Rogers County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Rogers County's major federal program for the year ended June 30, 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Rogers County's compliance.



Opinion on Each Major Federal Program

In our opinion, Rogers County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-018. Our opinion on the major federal program is not modified with respect to these matters.

Rogers County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rogers County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Rogers County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rogers County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rogers County's internal control over compliance.

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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-003, 2018-011, and 2018-012, that we consider to be material weaknesses.

Rogers County's Response to Findings

Rogers County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Rogers County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 5, 2020

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Community Development Block
Grant/State's program and Non-
Entitlement Grants in Hawaii

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

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

ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 2018-001 – Lack of County-Wide Internal Controls (Repeat Finding 2008-003, 2009-003, 2010-003, 2011-004, 2012-004, 2013-004, 2014-003, 2015-003, 2016-001, 2017-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

The County began holding monthly staff meetings with the county-wide offices. These meetings have addressed some of the County’s deficiencies with Risk Assessment and Monitoring controls. However, to date, the County still does not appear to have controls in place to ensure annual financial statements or the Schedule of Expenditures of Federal Awards (SEFA) are reviewed for accuracy and completeness, to ensure audit findings are corrected, or to address risks related to fraudulent activity and noncompliance with laws.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

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

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement 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.

Management Response:

Board of County Commissioners: Rogers County is working to implement policies to ensure the accuracy of financial statements and the SEFA. The Board of County Commissioners (BOCC) engaged a new accounting firm to assist in the preparation of fiscal year 2021 financial statements and is working with elected officials to increase the oversight and accuracy of financial reporting. With respect to SEFA reporting, Rogers County is developing a standard operating procedure to accurately track and report SEFA grants. Monthly staff meetings address financial reports, budget oversight, SEFA reporting, and legal compliance.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as

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best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2018-004 – Lack of Internal Controls Over the Financial Statement, Notes to the Financial Statement, and Supplemental Information (Repeat Finding 2016-007 and 2017-007)

Condition: The County is responsible for preparing their annual financial statements, notes to the financial statements, and supplemental information. However, this required information was not submitted to, and received by OSAI, until March 12, 2019, eight months after fiscal year end.

Additionally, during the review and reconciliation of the financial statement, as initially prepared by the County, the following was noted:

- Apportionment errors of \$1,805,174 in the aggregate. These errors were due to:
 - \$974,887 in fund to fund disbursements and \$112,037 in County revenues receipted and apportioned to the Jail Trust Authority fund, a trust and agency fund. The County only booked adjustments of \$967,265 resulting in \$119,659 in unadjusted apportionment errors.
 - \$678,250 in apportionment and fund classification errors, and
 - \$40,000 in a residual transfer classification error.
- Transfer errors of \$2,276,260 in the aggregate, due to:

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- \$1,041,820 in residual and operational transfers-in classification errors,
 - \$1,041,920 in residual and operational transfers-out classification errors, and
 - \$192,520 in Emergency Transportation Revolving (ETR) trust and agency funds not being transferred out of County funds properly.
- Disbursement errors of \$1,730,842 in the aggregate. These errors were due to:
 - \$974,887 in fund to fund disbursements. The County only booked adjustments of \$967,265 resulting in \$7,622 in unadjusted disbursement errors.
 - \$515,995 in disbursement and fund classification errors,
 - \$40,000 in a residual transfer classification error, and
 - \$200,000 in ETR loan repayments being issued from County funds in error.
- Beginning fund balance errors of \$22,622 in the aggregate. These errors were due to uncorrected errors from the prior year and the County presenting trust and agency funds as County funds.
- Ending fund balance errors of \$14,961 in the aggregate due to ETR funds not accounted for properly.

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

Effect of Condition: These conditions resulted in the cash balance, revenues, and disbursements being inaccurately reported on the County financial statements and the financial statements, notes to the financial statements, and supplemental information not being completed in a timely manner.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the financial statements, notes to the financial statements, and supplemental information are reviewed for accuracy and completeness, and approved by management. OSAI also recommends the County present financial statements and applicable notes to the financial statements, to OSAI for review within two months of fiscal year end.

Management Response:

Board of County Commissioners: The BOCC is working to implement policies and procedures to ensure accurate and timely reporting of the County's financial statements, notes to financial statements, and supplemental information. The BOCC engaged a new accounting firm to assist in the preparation of financial statements for fiscal year 2021. Rogers County discontinued interdepartmental purchase orders in fiscal year 2019. The BOCC will continue working with all elected officials to ensure compliance and oversight of financial reports.

County Clerk: The County Clerk's Office will continue to work with all elected officials to ensure accurate financial reporting. The County Clerk will develop necessary policies and procedures to track apportionment and transfer classification as necessary. Additionally, Rogers County discontinued interdepartmental purchase orders in fiscal year 2019.

County Treasurer: The County Treasurer's office will continue to accurately record transactions on the underlying financial records used in the preparation of the County's financial statements. Beginning in fiscal

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year 20, the Treasurer's Office took on a more active role in working with the County's budget maker to ensure accurate financials were submitted. This office now reviews the OSAI prescribed transfer forms 237 & 240 to ensure accuracy as they pertain to the county financials (per OSAI Standard Operating Procedures). Additionally, Rogers County discontinued interdepartmental purchase orders in fiscal year 2019.

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

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

Finding 2018-005 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding 2005-002, 2006-004, 2008-006, 2009-006, 2010-006, 2011-002, 2012-002, 2014-002, 2015-002, 2016-009, 2017-009)

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

A sample of sixty-four (64) out of fifty-two thousand three hundred seventy-five (52,375) expenditures reflected the following:

- Two (2) expenditures totaling \$479,385 were not supported by adequate documentation.
- Eight (8) expenditures totaling \$1,629,336 were not encumbered prior to receiving goods or services.

Additionally, the County issued two hundred and one (201) purchase orders and warrants totaling \$3,995,036.55 between County funds. The purchase orders and warrants were issued to reimburse one county fund for another county fund's actual expenditures, transfers from one county fund to another, or correct apportionment errors.

Cause of Condition Policies and procedures have not been designed and implemented to strengthen internal controls over disbursements to ensure compliance with state statute.

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

Recommendation: OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, be supported by adequate documentation, and that purchase orders and warrants should be issued in accordance with 19 O.S. § 1505.

Management Response:

Board of County Commissioners: Rogers County has implemented policies and procedures to ensure all expenditures comply with state statutes and are supported by adequate documentation. Rogers County discontinued interdepartmental purchase orders in fiscal year 2019.

District 2 County Commissioner: Previous County encumbering procedures allowed for purchases to be made the same day as the encumbrance. New purchasing procedures have been implemented to ensure encumbrances are made one day in advance of the purchase to ensure all purchases are properly encumbered in accordance with Oklahoma law.

County Clerk: The Clerk's office works diligently to ensure that requisitions are presented for encumbering prior to purchases or services being rendered. Policies and procedures have been designed and implemented to ensure the County is in compliance with state statutes regarding the disbursement process and to ensure all expenditures are supported by adequate documentation. Additionally, Rogers County discontinued interdepartmental purchase orders in fiscal year 2019.

County Sheriff: The Sheriff's office has implemented policies to address this finding. Additionally, new purchasing procedures have been implemented to ensure encumbrances are made one day in advance of the purchase to ensure all purchases are properly encumbered in accordance with state statute.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and

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incorporates these requirements into the entity's objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Further, effective internal controls require that management properly implement procedures to ensure that expenditures comply with 19 O.S. § 1505.

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

Finding 2018-003 – Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards (Repeat Finding 2008-013, 2009-013, 2010-013, 2012-008, 2013-008, 2014-007, 2017-005)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 16608-15 and 16721-16

FEDERAL AWARD YEAR: 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Cash Management; Equipment and Real Property Management; Matching; Period of Performance; Procurement and Suspension and Debarment; Reporting; Subrecipient Monitoring; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: During the review and reconciliation of the SEFA prepared by the County, OSAI identified federal programs that were not listed accurately on the County's SEFA resulting in federal expenditures being understated \$287,916 due to the following:

Expenditures:

- The actual expenditures for Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii, CFDA 14.228, were \$735,731; however, the County reported \$725,781 which understated expenditures by \$9,950.
- The actual expenditures for Payments in Lieu of Taxes, CFDA 15.226, were \$84,696; however, the County reported \$96,969, which overstated expenditures by \$12,273.
- The actual expenditures for National Criminal History Improvement Program (NCHIP), CFDA 16.554, were \$17,067; however, the County reported \$0, which understated expenditures by \$17,067.
- The actual expenditures for Bulletproof Vest Partnership Program, CFDA 16.607, were \$11,455; however, the County reported \$0, which understated expenditures by \$11,455.

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- The actual expenditures for Edward Byrne Memorial Justice Assistance Grant Program, CFDA 16.738, were \$9,900; however, the County reported \$0, which understated expenditures by \$9,900.
- The actual expenditures for Body Worn Camera Policy and Implementation, CFDA 16.835, were \$0; however, the County reported \$11,455, which overstated expenditures by \$11,455.
- The actual expenditures for Energy Efficiency and Conservation Block Grant Program (EECBG), CFDA 81.128, were \$272,500; however, the County reported \$0, which understated expenditures by \$272,500.
- The actual expenditures for Emergency Management Performance Grants, CFDA 97.042, were \$13,272; however, the County reported \$22,500, which overstated expenditures by \$9,228.

Reported Total Expenditures of Federal Awards	\$ 889,596
Plus: Community Development Block Grant/ State's program and Non-Entitlement Grants in Hawaii (CFDA 14.228)	9,950
Less: Payments in Lieu of Taxes (CFDA 15.226)	(12,273)
Plus: National Criminal History Improvement Program (NCHIP) (CFDA 16.554)	17,067
Plus: Bulletproof Vest Partnership Program (CFDA 16.607)	11,455
Plus: Edward Byrne Memorial Justice Assistance Grant Program (CFDA 16.738)	9,900
Less: Body Worn Camera Policy and Implementation Grant (CFDA 16.835)	(11,455)
Plus: Energy Efficiency and Conservation Block Grant Program (EECBG)	272,500
Less: Emergency Management Performance Grants (CFDA 97.042)	<u>(9,228)</u>
Actual Federal Expenditures of Federal Awards	<u>\$1,177,512</u>
Original SEFA Understated by:	<u>\$ 287,916</u>

Additionally, the County did not present the SEFA to OSAI until March 12, 2019, eight months after fiscal year end.

Cause of Condition: Internal controls over the SEFA have not been designed and implemented to ensure accurate and timely reporting of expenditures for federal awards.

Effect of Condition: These conditions resulted in the erroneous reporting and a material misstatement of the County's SEFA and could increase the potential for material noncompliance.

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

Management Response:

Board of County Commissioners: Rogers County is developing a Standard Operation Procedure (SOP) to timely and accurately track and report federal revenues and expenditures on the SEFA. To ensure compliance with federal requirements, the SOP will include internal control procedures to report

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expenditures and revenues for all federally awarded programs and internal controls to monitor compliance with laws and regulations pertaining to grant contracts. The SOP will be reviewed, adopted, and monitored by Rogers County through the Board of County Commissioners.

County Clerk: The County Clerk's office is working with all elected officials to develop policies and procedures to ensure compliance with SEFA reporting requirements and will continue to work with elected officials to comply with all SEFA reporting requirements.

County Treasurer: The County Treasurer's office will continue to accurately record proceeds associated with federal programs. The County Treasurer's office has no active role in the SEFA compilation report.

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

Criteria: Title 2 CFR 200 § 200.510(a)(b) Financial Statements reads as follows: (a) Financial statements. The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements. (b) Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.

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

The non-Federal entity must:

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

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

The auditee must:

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

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

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

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Furthermore, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

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

Finding 2018-011 – Lack of County-Wide Controls Over Major Federal Program - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (Repeat Finding 2008-019, 2010-023, 2012-009, 2013-009, 2014-008)

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 16608-15; 16721-16

FEDERAL AWARD YEAR: 2017 and 2018

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Cash Management; Equipment and Real Property Management; Matching; Period of Performance; Procurement and Suspension and Debarment; Reporting; Subrecipient Monitoring; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

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

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

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

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

Management Response:

Board of County Commissioners: Rogers County is currently working with state and local partners to develop policies, procedures, and internal controls designed to accurately track grants, including the application process, verification, oversight, and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients and subrecipients of grants and to ensure compliance with all applicable compliance requirements.

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

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

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Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2018-012 – Lack of Internal Controls Over Major Federal Program - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 16608-15; 16721-16

FEDERAL AWARD YEAR: 2017 and 2018

CONTROL CATEGORY: Equipment and Real Property Management; Procurement and Suspension and Debarment; Reporting; and Subrecipient Monitoring

QUESTIONED COSTS: \$-0

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Rogers County has not established procedures to ensure compliance with the following compliance requirements: Equipment and Real Property Management; Procurement and Suspension and Debarment; Reporting; and Subrecipient Monitoring.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

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

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

Management Response:

Board of County Commissioners: Rogers County is currently working with state and local partners to develop policies, procedures, and internal controls designed to accurately track grants, including the application process, verification, oversight, and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients and subrecipients of grants and to ensure accurate equipment and real property management, procurement, recipient and subrecipient monitoring, and reporting.

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

The non-Federal entity must:

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

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Finding 2018-018 – Noncompliance With Compliance Requirement M - Subrecipient Monitoring

PASS-THROUGH GRANTOR: Oklahoma Department of Commerce

FEDERAL AGENCY: U.S. Department of Housing and Urban Development

CFDA NO: 14.228

FEDERAL PROGRAM NAME: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

FEDERAL AWARD NUMBER: 16608-15; 16721-16

FEDERAL AWARD YEAR: 2017 and 2018

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$735,731

Condition: The County reviewed 100% of the subrecipients' expenditures to ensure expenditures were for allowable purposes; complied with laws, regulations, and provisions of the grant agreement; and achieved performance goals. The County also approved all the subrecipients' expenditures in an open meeting and retained records of all subrecipients' expenditures. However, the County did not view the Tulsa Port of Catoosa Facilities Authority or the Rogers County Rural Water District 3 as subrecipients of the County. Therefore, the County, as the pass-through entity (PTE), did not:

- Establish internal controls to ensure compliance with all subrecipient monitoring requirements.
- Clearly identify to the subrecipient(s):
 - the award as a subaward,
 - all requirements imposed by the PTE on the subrecipient so that the federal award is used in accordance with federal statutes, regulations, and the terms and conditions of the award, and

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- any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the federal award.
- Ensure applicable audits were performed on the subrecipients as required.

Cause of Condition: The County has not designed and implemented policies and procedures to ensure the County correctly identifies subrecipient or vendor relationships. Additionally, policies and procedures have not been designed and implemented to ensure compliance with all grant requirements.

Effect of Condition: These conditions resulted in noncompliance with grant requirements, unrecorded transactions, and misappropriation of assets. Additionally, these conditions could lead to the loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for this program and implement processes to identify subrecipients and vendors. OSAI also recommends the County implement internal control procedures to ensure compliance with all grant requirements.

Management Response:

Board of County Commissioners: Rogers County is currently working with state and local partners to develop policies, procedures, and internal controls designed to accurately track grants, including the application process, verification, oversight, and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients and subrecipients of grants and to ensure accurate subrecipient monitoring.

Criteria: 2 CFR § 200.331 *Requirements for Pass-through Entities* states in relevant part,

“All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal Award Identification.

- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see § 200.39 Federal award date) of award to the recipient by the Federal agency;
 - (v) Subaward Period of Performance Start and End Date;
 - (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - (vii) Total Amount of Federal Funds Obligated to the subrecipient by the

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- through entity including the current obligation;
(viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
(xii) Identification of whether the award is R&D; and
(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f);
- (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the subaward...
- (f) Verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements. “

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

Finding 2018-007 – Lack of Internal Controls and Noncompliance Over Receipting and Disbursement Processes - Court Clerk (Repeat Finding)

Condition: Upon inquiry of the Court Clerk employees, observation, and testing of records regarding the receipting and disbursement processes in the Court Clerk's office, the following weaknesses were noted: One person, the Court Clerk is responsible for:

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

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

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 the key duties in the receipting and disbursing processes be adequately segregated. If duties cannot be adequately segregated, mitigating control and reviews should be implemented.

Management Response:

Court Clerk: The conditions of this finding are related to previous Court Clerk's administration. I was sworn into office as Court Clerk on July 23, 2018. Since being sworn in, policies and procedures have been Implemented to ensure segregation of duties relating to the receipting, collection, and disbursement process. Where duties cannot be adequately segregated, review policies and procedures have been implemented to mitigate risk and ensure adequate oversight and controls.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

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

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

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

Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2018-009 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

Inmate Trust Fund Checking Account:

- One employee is responsible for accessing and balancing the lock box collections, preparing the deposit slip, taking the deposit to the bank, updating inmate's account balances with credits and deductions, performing monthly bank reconciliation, is the direct contact for the bookkeeping system vendor, calculates the amount of sales tax owed to the Oklahoma Tax Commission, and is denoted as an official check signer on the bank account.
- There is no indication of independent monitoring or review of the bookkeeping functions of the Inmate Trust Fund Checking Account.
- Bank reconciliations are not signed by the preparer and have no indication of being reviewed and approved by someone other than the preparer

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- Individual inmate balances are not reconciled back to the Inmate Trust Ledger balance used in the reconciliation to the Inmate Trust Fund Checking Account bank reconciliation.
- Checks issued from the Inmate Trust Fund Checking Account are not always signed by an authorized signer. Additionally, the County Sheriff's name is sometimes signed by someone other than the County Sheriff.
- Access to the Inmate Trust Fund Checking Account check stock is not limited during business hours.

Sheriff Commissary Fund:

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

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

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

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

OSAI further recommends the County Sheriff implement procedures to ensure:

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

Management Response:

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

Criteria: Component objectives of effective internal control systems are to deter and detect fraud and to provide accurate and reliable information. Internal controls are designed to safeguard assets and to analyze and check accuracy, completeness, and authorization of transactions. Failure to perform tasks that are part of internal controls, such as segregating duties or implementing compensating reviews, performing bank

**ROGERS COUNTY, OKLAHOMA
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reconciliations accurately and timely, and maintaining records in a manner to ensure compliance with state statutes and/or to minimize the risk of misappropriation, are deficiencies in internal control.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states part:

Establishment of review of performance measurers and indicators

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

Segregation of duties

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

Accurate and timely recording of transactions

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

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Furthermore, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Safeguarding of Assets

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

Title 19 O.S. § 180.43 D. states in part, “...Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the

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

Finding 2018-010 - Lack of Internal Controls Over Drug Court (Repeat Finding 2016-014 and 2017-015)

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

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

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

Drug Court Coordinator

- The Associate District Judge, also referred to as the Drug Court Judge, was the sole approver of the contract with the Drug Court Coordinator (Coordinator) to run the day to day operations of Drug Court.
- Although the Coordinator is referred to as an independent contractor in the contract, the contract allows for the following benefits which is in contradiction to what the IRS would allow in classifying an individual as an independent contractor:
 - Annual longevity pay,
 - 120 hours of paid sick leave per year,
 - 160 hours of vacation leave per year,
 - Holiday pay when the Courthouse is closed,
 - Compensatory time for "On Call Time",
 - Unused vacation time to be rolled over to the next year.

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- This contract also provides, that in addition to the annual contract amount of \$92,130, the Coordinator receives \$20 per individual home visit and \$50 per sober living house visit which resulted in the Coordinator receiving an additional \$29,930 in fiscal year 2018.

Drug Court Collections

- Internal controls have not been established over the receipting and disbursing of Drug Court funds:
 - A concentration of duties is assigned to one person, the Coordinator, who receives all collections, issues receipts for collections, posts payments to ledgers, reconciles collections to receipts, prepares deposit ticket, takes deposits to the County Treasurer, prepares Officer's Monthly Report, calculates amount to be vouchered to cash funds, prepares cash vouchers, performs home visits, invoices the County for home visits performed, and prepares and retains all documentation for home visits. There is no independent oversight to determine these processes are correct or complete.
 - There is no independent review of home visit documentation to ensure the amount the Coordinator invoices the County for and ultimately receives payment for (\$29,930.00 in FY 2018) is substantiated.
 - Collections received in the Drug Court office are not deposited daily.
 - Drug Court participants pay a \$40.00 monthly supervision fee. Participants are only allowed to pay fees with money order or cashier's check.
 - Drug Court ledgers do not accurately identify when monthly participation payments are received but rather payments are posted to the month the payment should have been received. This could provide the opportunity to fraudulently record and/or misappropriate funds.
 - Receipted collections for Drug Court participation fees do not agree to deposits:
 - In November 2017 receipted collections were \$4,886 and deposits were \$6,596
 - In December 2017 receipted collections were \$4,731 and deposits were \$3,788
 - In March 2018 receipted collections were \$5,768 and deposits were \$9,338.
 - In May 2018 receipts were \$5,740 and deposits were \$9,183.

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

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

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

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

Recommendation: OSAI recommends:

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

Management Response:

Board of County Commissioners: The District Attorney's Office has determined that Rogers County does not have the authority to operate Drug Court; therefore, Drug Court is not a county program. Further, because Rogers County is not a party to the Drug Court contract and did not agree to the terms of the contract, the Drug Court contract is invalid and unenforceable against Rogers County. Finally, the Drug Court Coordinator is not a Rogers County employee. Rogers County did not authorize or approve the independent contractor agreement with the Drug Court Coordinator. The County does not pay the Drug Court Coordinator's salary.

Please see Appendix C of this report for complete District Attorney's opinion to the Board of County Commissioners of Rogers County regarding this finding.

Rogers County District Attorney/Drug Court Board Member: Please see response in Appendix D of this report.

Drug Court Judge: Management chose not to respond.

Auditor Response: The Oklahoma Department of Mental Health and Substance Abuse entered into a contract with the District Court of Rogers County. This contract utilizes the County's tax identification number and requires the financial officer of the Drug Court to be an employee of the County and not a member of the Drug Court Team. It appears that the Department of Mental Health and Substance Abuse has sent a contract to the District Court without properly notifying the Board of County Commissioners regarding their responsibilities outlined in the contract. It is very concerning that the Department did not properly notify the Board of County Commissioners or receive their consent in an open meeting to participate in this contract. The Board of County Commissioners should take immediate steps to clarify these issues with the Department or comply with the terms of the contract and properly monitor these funds.

ROGERS COUNTY, OKLAHOMA
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Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

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

Appropriate documentation of transactions and internal controls

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

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Furthermore, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Safeguarding of Assets

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

Title 19 O.S. § 171 A. states, “Each county of this state shall every two (2) years have an audit made by the State Auditor and Inspector or a duly appointed deputy or deputies of all of

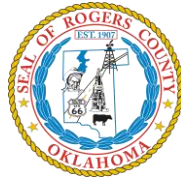
**ROGERS COUNTY, OKLAHOMA
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the books, records and accounts of all the officers of each county of this state, which audit shall be general in its nature and shall include an audit of the books, records and accounts of all officers who collect or disburse monies, fees, fines or public charges of any kind including therein a tax roll audit, a claim audit, and an audit of each of the justices of peace within the county.”

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)



Rogers County Commissioners

200 South Lynn Riggs Blvd · Claremore, Oklahoma 74017 · Office (918) 923.4798

Commissioner Dan DeLozier
District 1

Commissioner Steve Hendrix
District 2

Commissioner Ron Burrows
District 3

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2018

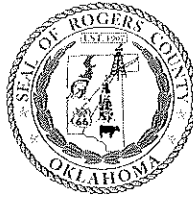
Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Lack of County-Wide Internal Controls	Rogers County is working to implement policies to ensure the accuracy of financial statements and the Schedule of Federal Awards ("SEFA"). The Board of County Commissioners (BOCC) engaged a new accounting firm to assist in the preparation of fiscal year 2021 financial statements and is working with elected officials to increase the oversight and accuracy of financial reporting. With respect to SEFA reporting, Rogers County is developing a standard operating procedure to accurately track and report SEFA grants. Monthly staff meetings address financial reports, budget oversight, SEFA reporting, and legal compliance.	6/30/2021	Ron Burrows, BOCC Chair
2018-004	Lack of Internal Controls Over the Financial Statement, Notes to the Financial Statement, and Supplemental Information	Rogers County is working to implement policies and procedures to ensure accurate and timely reporting of the County's financial statements, notes to financial statements, and supplemental information. The BOCC engaged a new accounting firm to assist in the preparation of financial statements for fiscal year 2021. Rogers County discontinued interdepartmental purchase orders in fiscal year 2019. The BOCCs will continue working with all elected officials to ensure compliance and oversight of financial reports.	6/30/2021	Ron Burrows, BOCC Chair
2018-005	Lack of Internal Controls and Noncompliance Over Disbursements	Rogers County has implemented policies and procedures to ensure all expenditures comply with state statutes and are supported by adequate documentation. Rogers County	6/30/2021	Ron Burrows, BOCC Chair

		discontinued interdepartmental purchase orders in Fiscal Year 2019		
2018-003	14.228-Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	Rogers County is developing a Standard Operation Procedure ("SOP") to timely and accurately track and report federal revenues and expenditures on the SEFA. To ensure compliance with federal requirements, the SOP will include internal control procedures to report expenditures and revenues for all federally awarded programs and internal controls to monitor compliance with laws and regulations pertaining to grant contracts. The SOP will be reviewed, adopted, and monitored by Rogers County through the Board of County Commissioners.	6/30/2021	Ron Burrows, BOCC Chair
2018-011	14.228-Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	Rogers County is currently working with state and local partners to develop policies, procedures, and internal controls designed to accurately track grants, including the application process, verification, oversight, and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients and sub-recipients of grants and to ensure compliance with all applicable compliance requirements.	6/30/2021	Ron Burrows, BOCC Chair
2018-012	14.228-Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	Rogers County is currently working with state and local partners to develop policies, procedures, and internal controls designed to accurately track grants, including the application process, verification, oversight, and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients and sub-recipients of grants and to ensure accurate equipment and real property management, procurement, recipient and subrecipient monitoring, and reporting.	6/30/2021	Ron Burrows, BOCC Chair
2018-018	14.228-Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	Rogers County is currently working with state and local partners to develop policies, procedures, and internal controls designed to accurately track grants, including the application process, verification, oversight, and reporting of grant requirements. These policies and procedures are intended to identify requirements for recipients and sub-recipients of grants and to ensure accurate subrecipient monitoring.	6/30/2021	Ron Burrows, BOCC Chair

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)



Rogers County Commissioners

200 South Lynn Riggs Blvd – Claremore, Oklahoma 74017 – Office (918) 923-4452

Dan DeLozier
Commissioner District 1

Steve Hendrix
Commissioner District 2

Ron Burrows
Commissioner District 3

Summary Schedule of Prior Audit Findings in accordance with 2 CFR § 200.511b for the fiscal year ended June 30, 2018

FINANCIAL AUDIT FINDINGS

Finding: 2005-011, 2006-002, 2007-014, 2008-005, 2009-005, 2010-005, 2011-003, 2012-003, 2013-003, 2014-001, 2015-001, 2016-017

Inadequate Internal Controls and Noncompliance Within the Collection, Apportionment, and Cash Balances Processes of the County Treasurer's Office

Finding Summary:

A lack of segregation of duties over general ledger and bank reconciliations existed in the Treasurer's office. Bank reconciliations were not reviewed and approved by someone other than the preparer and contained unsupported reconciling items. General Fund had a negative ending balance of \$387,263.96. Errors were noted in apportionments to the Fire Protection Districts and the Resale Property Fund. The treasurer entered into ad valorem partial payment plan agreements with taxpayers for apparent hardships without regard of statutory requirements and allowed employees to use of the Treasurer's signature stamp.

Status: Fully corrected. A new County Treasurer took office in July 2015 and implemented policies to prevent the recurrence of these issues and to provide additional accountability within the office.

Finding: 2005-002, 2006-004, 2008-006, 2009-006, 2010-006, 2011-002, 2012-002, 2013-002, 2014-002, 2015-002, 2016-009, 2017-009

Inadequate Internal Controls and Noncompliance Over Disbursements

Finding Summary: The test of ninety-eight (98) purchase orders reflected that invoices received from a construction company were not presented in great enough detail to depict the actual date(s) work was performed. Therefore, OSAI was unable to determine if funds were encumbered prior to the goods or services being obtained. These expenditures were not supported by bills of lading or other documentation to quantify the materials depicted on the invoice.

Additionally, there appeared to be a lack of segregation of duties regarding issuing and printing warrants, custody of warrants, and authorization of warrants. Until May 2014, the County Clerk's software program automatically printed the BOCC Chairman's signature on warrants. Assigning an individual administrator rights in the software program and allowing access to blank warrant stock, provides them with the capability to initiate purchase orders and print and issue warrants with the Chairman's signature with little or no oversight.

Status: Partial Corrected – The County Clerk took steps to adequately segregate duties within the disbursement process and removing the Chairman's signature from the signature block within the software program. However, the County still has issues with encumbering funds in advance of receiving or ordering goods or services and ensuring expenditures are supported by adequate documentation. To correct these the County has implemented policies and procedures to ensure all expenditures comply with state statutes and are supported by adequate documentation.

Finding: 2008-003 2009-003, 2010-003, 2011-004, 2012-004, 2013-004, 2014-003, 2015-003, 2016-001, 2017-001

Inadequate County Wide Controls

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

Status: Partial Corrected. The County now holds monthly staff meetings to address risk associated with the County. However, the County has still not designed and implemented internal control policies and procedures to address risk and monitoring in relation to the preparation and accuracy of the Financial Statements and the Schedule of Federal Awards. To correct these issues the County is working to implement policies to ensure the accuracy of financial statements and the Schedule of Federal Awards ("SEFA"). Additionally, The Board of County Commissioners (BOCC) engaged a new accounting firm to assist in the preparation of fiscal year 2021 financial statements and is working with elected officials to increase the oversight and accuracy of financial reporting.

Finding: 2008-001, 2009-001, 2010-001, 2011-005, 2012-005, 2013-005, 2014-004, 2015-007
Disaster Recovery Plan and Computer Usage

Finding Summary: The County Treasurer, County Clerk, and County Sheriff did not have a Disaster Recovery Plans (DRP) for the entirety of the fiscal year. Additionally, the computer systems within the County Treasurer's office, did not appear to have adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Further, the County Treasurer's office hosted their emails on a separate site from that of the other County offices. As such, these emails were not safeguarded in the same manner as the other County offices.

Status: Fully Corrected. The County Treasurer implemented a Disaster Recovery Plan on June 7, 2014, the County Clerk implemented a Disaster Recovery Plan on April 11, 2014, and the County Sheriff a implemented Disaster Recovery Plan on June 19, 2014. A new County Treasurer took office in July 2015 and took the necessary steps to ensure the security for computers, computer programs, and data.

Finding: 2014-011

Inadequate Internal Controls and Noncompliance Over the Creation of the Fair Oaks Fire Protection District

Finding Summary: On November 6, 2012, the Fair Oaks Fire Protection District (Fire District) was established by a vote of the people. Title 19 O.S. § 901.4 requires the Board of County Commissioners to "declare such territory duly organized as a fire protection district" and to file such order with the County Clerk. However, the legal land description was not filed with the County Clerk until January 23, 2014, resulting in the Fire District not being listed on the 2013 certified tax levies.

Status: Fully corrected. The Board of County Commissioners took the necessary steps and filed the appropriate documents with the County Clerk in January of 2014 to ensure the Fire District was listed on future certified tax levies.

Finding: 2008-010, 2009-010, 2010-010, 2011-001, 2012-001, 2013-001, 2014-015, 2015-004
Inadequate Segregation of Duties Over the Payroll Process

Finding Summary: An inadequate 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 and prints payroll warrants, signs the checks as one of the check signers, and removes terminated employees from payroll

Status: Fully corrected. The County hired a benefits coordinator to enroll new employees and process termination paperwork, removing these duties from the payroll clerk who process payroll.

Finding: 2014-016
Inadequate Internal Controls Over Bid Terms Reviews

Finding Summary: ChipLock related expenditures for the fiscal year noted the exact same application rate of 0.308 gallons per square yard for all roads treated regardless of the road surface

Status: Fully corrected. The County implemented policies and procedures to thoroughly review all bids ensuring that vendors adhere and comply with all bid terms.

Finding: 2008-16, 2009-016, 2010-015, 2014-017, 2015-013, 2016-008
Inadequate Internal Controls and Noncompliance Over County Sales and Use Tax

Finding Summary: The review of sales tax collections, apportionments, and disbursements noted the following:

- Material Service 1/8th Cent Sales Tax –
 - Beginning November 2013, the collections for the 1/8th of one-cent of sales tax collections should have been apportioned to the Material Service 1/8th cent sales tax fund. However, no apportionment was made to this fund until December 2013 resulting in the Material Service 1/8th fund receiving \$73,621.04 less and the County Sales Tax fund receiving \$73,621.04 more than was due.
 - \$73,826.03 of the Material Service 1/8th cent sales tax that was receipted in December 2013 was not remitted to the bank for the bond payment until June 2014.
- Criminal Justice Sales Tax –
 - In June 2014, the County transferred \$2,823,509 in sales tax collections from the Criminal Justice Authority Fund, a sales tax revolving fund, to the Sheriff Jail Fund, thereby co-mingling sales tax collections with other sources of revenue.
 - The Lease Agreement between the County and the Authority that provides for the Authority to receive and administer 100% of the county sales tax revenues appointed 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 is not renewed on an annual basis.

- The Operation, Maintenance, and Administration Agreement between the County and the Authority that provides for the Sheriff to run the day to day operations of the jail and the Authority to use sales tax revenues to pay all the operations and maintenance expenses of the jail is not renewed on an annual basis.
- Although these agreements have not been renewed on an annual basis, the County and the Authority have been conducting business in accordance with both of these agreements.
- Use Tax –
 - \$670,000 was transferred from Courthouse Bond Proceeds fund to the County General Fund without statutory allowance. The origins of these collections were from excess sales and use tax returned to the County from the bank trust after current fiscal year payments were made.

Status: Fully corrected. The implemented policies and procedures to ensure the apportionment and expenditure of County sales tax collections comply with the sales tax ballot and state statute.

Finding: 2011-020, 2012-020, 2013-020, 2014-018, 2015-012

Solicitation and Acceptance of Bids Do Not Appear to Comply with State Statutes

Finding Summary: The following instances were noted concerning the solicitation and acceptance of competitive bids:

- For the first half of the fiscal year (through December 2013), for six (6) commonly used goods, the BOCC accepted all bids submitted based upon “closest to work region and first available” versus the statutory requirement of selecting based upon the lowest and best bid standard. These six (6) bids included: Bid #12 (Rock), Bid #13 (Hot Mix Hot Lay), Bid #14 (Liquid Asphalt), Bid #15 (Grader Blades), Bid #16U (Used Pipe), and Bid #18 (Concrete).
- Six (6) bids were noted to have been bid under the Title 19 purchasing statutes when they should have either been bid differently to be considered a commonly used good, or they should have been bid in accordance with the Public Competitive Bidding Act (PCBA):
 - Without the County directly applying the materials to the roads (or elsewhere) or the County not bidding the contracting of these applications specifically, Bid #10 (micro-surfacing), and Bid #12 (rock) should not have been bid under Title 19. Rather, such applications should have been bid as projects in accordance with the PCBA.
 - Bid #11 (ChipLock) was for a brand-name product that should not have been solicited by name, and to be compliant with Title 19 County personnel would be required to directly apply the product themselves to roads. Otherwise, such work should be bid as projects per the PCBA.
 - Concerning Bid #19 (Guardrail Cables and Anchors) and Bid #20 (Guardrails and End-Shoes), the County solicited for the installation of the products, when instead the solicitation should have been for the purchase of the items by themselves (County labor could have then performed the installations which would be allowed per Title 19), or the installation bids should have been sought as actual projects in accordance with the PCBA.
 - Bid #24 (Road/Traffic Striping) should have only been solicited as individual projects in accordance with the PCBA.

Status: Fully corrected. The County updated purchasing/bidding policies and procedures when the current administration in the County Clerk’s office took over in fiscal year 2017.

FEDERAL AUDIT FINDINGS

Finding: 2008-013, 2009-013, 2010-013, 2012-008, 2013-008, 2014-007, 2017-005

Schedule of Expenditures of Federal Awards

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: DR-1754

Federal Award Year: 2014

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

Questioned Costs: \$-0-

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. To correct this issue the County plans to develop a Standard Operation Procedure ("SOP") to timely and accurately track and report federal revenues and expenditures on the SEFA. To ensure compliance with Federal requirements, the SOP will include internal control procedures to report expenditures and revenues for all federally awarded programs and internal controls to monitor compliance with laws and regulations pertaining to grant contracts. The SOP will be reviewed, adopted, and monitored by Rogers County through the Board of County Commissioners.

Finding: 2008-014, 2010-016

FEMA Records – Documentation of Federal Expenditures

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: DR-1678, DR-1735, and DR-1754

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: \$1,523,727.11 (\$1,225,211.06 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Period of Availability of Federal Funds; \$18,776.70 for Matching, Level of Effort, Earmarking; and \$279,739.35 for Procurement and Suspension and Debarment)

Finding Summary: There was insufficient documentation to support the federal monies disbursed on disasters #1678, #1735, and #1754.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2008-018, 2010-022, 2012-010, 2013-010, 2014-009

Inadequate Internal Controls Over Major Federal Programs - FEMA

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: DR-1754

Federal Award Year: 2014

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions

Questioned Costs: \$-0-

Finding Summary: 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; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse (3/29/2017) and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2008-019, 2010-023, 2012-009, 2013-009, 2014-008

Inadequate County Wide Controls Over Major Federal Programs

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: DR-1754

Federal Award Year: 2014

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

Questioned Costs: \$-0-

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

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse (3/29/2017) and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2011-021, 2012-021, 2013-021, 2014-005

Bid-Restricting – Preference Shown to Vendor

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: DR-1754

Federal Award Year: 2014

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: The BOCC solicited bids for “ChipLock” which is a trade name for a chip-seal product manufactured by a construction company located in Clever, Missouri. The company claims they exclusively manufacture and install this particular product.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse (3/29/2017) and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2011-022, 2012-022, 2013-022, 2014-010

No Verification of Road Construction/Materials Documented – Noncompliance with Purchasing Procedures Required by State Statute and Federal Compliance Requirements

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: DR-1754

Federal Award Year: 2014

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Questioned Costs: \$-0-

Finding Summary: Rogers County District 2 provided no documentation to reflect the dates in which construction was performed by the general contractor. The supporting documentation that was available did not reflect the dates that work was performed, but rather only the invoice date. Therefore, OSAI was unable to determine if funds were encumbered prior to the goods or services being obtained. District 2 Commissioner failed to maintain any supporting documentation other than invoices for the amounts billed by the general contractor. The invoices retained were vague as to both the location and actual work performed. Further, District 2 retained no bills of lading or records of daily quantities to support the invoiced amounts. OSAI contacted the general contractor several times in an effort to obtain additional documentation to support the submitted invoices, but the company did not provide any additional documentation.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse (3/29/2017) and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2011-023, 2012-023

Back-Dated Documents Submitted for FEMA Project - Engineering Services Not Competitively Considered

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: DR-1754

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: When expending federal FEMA funds, a grantee is required to competitively consider the most qualified engineer. Based on email correspondence between District 2 Commissioner Mike Helm, District 2

Secretary Robin Anderson (currently the Rogers County Clerk), and a local engineer, it was determined that documents were back-dated to make documentation appear as if the engineering services for a FEMA project were competitively considered.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2012-016

Overcharges and Fictitious Invoice Submitted for Federal Reimbursement

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: DR-1754

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking

Questioned Costs: \$5,524,225.35

Finding Summary: District 2 submitted \$5,524,225.35 for reimbursement from Oklahoma Emergency Management (OEM) for expenditures related to a FEMA project. This amount consisted of undocumented expenditures and duplicate reimbursements.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2012-017

Questioned Costs Related to Federal FEMA Funds

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: DR-1754

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking

Questioned Costs: \$5,524,225.35

Finding Summary: The test of all documentation available, pertaining to expenditures reimbursed with federal funds for Project Worksheet 937 for Disaster 1754, revealed \$5,524,225.35 was not sufficiently documented with supporting documentation due to lack of documentation, invoices submitted for reimbursement twice, and incorrect charges related to equipment and force-account labor.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2012-018

Advance of FEMA Funds for Equipment Lease-Purchased

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: DR-1754

Control Category: Allowable Costs/Cost Principles; Cash Management

Questioned Costs: \$-0-

Finding Summary: Funds in the amount of \$1,778,945.04 were reimbursed to the County for equipment purchases related to the FEMA project. The County financed \$666,343.04 of this amount through lease-purchases. This amount was claimed as a cost and reimbursed with federal funds; however, the County had not incurred the cost at the time of reimbursement. This amount of \$666,343.04 was held by the District and presumably used for operating expenses. The County paid the balances of the lease-purchase agreements between 4-13 months after receiving the funds from FEMA reimbursements.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2012-019

Apparent Waste of Federal Funds – Lowest Price Not Sought in Purchase of Drill Rig

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: DR-1754

Control Category: Procurement and Suspension and Debarment

Questioned Costs: \$-0-

Finding Summary: The County purportedly solicited bids on July 19, 2011, for a track-mounted drill rig. The equipment was to be purchased with FEMA funds as part of a FEMA project. Based on our review of County documents and interviews conducted, it appears the County did not exhaust all efforts to locate the lowest, best price for this piece of equipment.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.

Finding: 2013-016

FEMA Funds Used for Unapproved Projects and Overcharges Submitted for Federal Reimbursement

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: DR-1754

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment

Questioned Costs: \$4,254,337.53

Finding Summary: FEMA prepared a project worksheet outlining all roads approved for repair using the funds noted above. Upon examination of the work charged to the FEMA project, OSAI determined that District 2 Commissioner performed unauthorized work on roads that were not approved by FEMA totaling \$4,254,337.53. Due to statutory redistricting of the County Commissioners' districts, some of the approved roads were now located in District 3 and work was not performed on those sections of roads previously maintained by District 2.

Status: No further action warranted. Two years have passed since the audit report in which the finding occurred was submitted to the Federal Audit Clearinghouse and the Federal agency or pass-through entity is not currently following up with the auditee on the audit finding.



Chairman of the Board of County Commissioners

9-2-2020

Date

APPENDIX C

**DISTRICT ATTORNEY OPINION TO THE BOARD OF COUNTY COMMISSIONERS OF
ROGERS COUNTY REGARDING FINDING 2018-010**

(Prepared by District Attorney)

Appendix C -

District Attorney Opinion to the Board of County Commissioners of Rogers County
Regarding to Finding 2018-010 - Lack of Internal Controls Over Drug Court

2018-010: Drug Court (Repeat Finding 2016-014 and 2017-015)

Management Response

Board of County Commissioners: The District Attorney's Office issued has determined that Rogers County does not have the authority to operate Drug Court, therefore, Drug Court is not a county program. Further, because Rogers County is not a party to the Drug Court contract and did not agree to the terms of the contract, the Drug Court contract is invalid and unenforceable against Rogers County. Finally, the Drug Court Coordinator is not a Rogers County employee. Rogers County did not authorize or approve the independent contractor agreement with the Drug Court Coordinator. The County does not pay the Drug Court Coordinator's salary.

District Attorney's Office, District 12:

I. Rogers County does not have the authority to operate a felony drug court.

A county is "an involuntary, subordinate political subdivision of the state" and has no inherent powers. *Herndon v. Anderson*, 25 P.2d 326, 329 (Okla. 1933). A county has only those powers expressly authorized by statute. *Tulsa Exposition & Fair Corp. v. Bd. of Civ. Com'rs of Tulsa Cty.*, 1970 OK 67, ¶¶ 26-27, 468 P.2d 501, 507; *Johnston v. Conner*, 205 Okl. 233, 236 P.2d 987; *Herndon v. Anderson*, 165 Okl. 104, 25 P.2d 326. "Boards of County Commissioners derive their powers and authority wholly from the statutes, and acts performed by them must be done pursuant to authority granted by valid legislative action." *Tulsa Exposition & Fair Corp. v. Bd. of County Comm'rs*, 468 P.2d 501, 508 (Okla. 1970); see also *Ingle v. Board of County Commissioners*, Okl., 274 P.2d 1021; *Board of County Commissioners v. Warram*, Okl., 285 P.2d 1034. This authority extends to powers that are "necessarily or fairly implied or incidental to the powers expressly granted." *Shipp v. Se. Okla. Indus. Auth.*, 498 P.2d 1395, 1398 (Okla. 1972).

The Oklahoma Drug Court Act, OKLA. STAT. tit. 22, § 471, *et seq.*, creates "drug courts" and authorizes district courts in Oklahoma to establish a drug court program. See OKLA. STAT. tit. 22, § 471.1(B) ("each *district court* of this state is authorized to establish a drug court program pursuant to the provisions of this act . . ."). The Act grants counties limited authority to establish drug courts for misdemeanor offenses. See *Id.* at § 471.1(I) ("Nothing in this act shall prohibit any county from establishing a drug court for *misdemeanor* offenses."). Notwithstanding the limited grant of authority to counties, drug courts established pursuant to the Act are for individuals who have committed felony offenses. See OKLA. STAT. tit. 22, § 471.2(A)(4).

Oklahoma law *does not* authorize counties to create, operate, or otherwise oversee felony drug courts. Courts examining the issue have reached the same conclusion. In *Attocknie v. Smith*, the U.S. District Court for the Eastern District of Oklahoma found that "[b]ased upon the Oklahoma statutes, this Court finds felony drug courts are an instrumentality of the State of Oklahoma since *counties have no authority to establish felony drug courts.*" No. CIV-13-158-JHP. 2014 U.S. Dist. LEXIS 94331, at *11 (E.D. Okla. July 11, 2014) (emphasis added); See also. OKLA. STAT., tit. 22, § 471; OKLA. STAT. tit. 20, § 91.1.

The Act provides further evidence that counties are not responsible for operating or overseeing drug courts. The Act mandates the Chief Judge or Presiding Judge of the judicial district to "designate one or more judges to *administer* the drug court program." OKLA. STAT. tit. 22, § 471.1(D) (emphasis added). The Act creates a "drug court team" that consists of a "*judge to administer the program* . . ." *Id.* (emphasis added). The Act does not vest authority to a county to create, manage, or oversee a felony drug court program.

Felony drug courts are separate political subdivisions of the State of Oklahoma. In *Burgess v. State*, the Oklahoma Court of Criminal Appeals held a district court's drug court team constituted a separate political subdivision of the state. 2010 OK CR 25, ¶ 13, 243 P.3d 461, 463; *see also, Burgess v. Evans*, No. CIV-13-0724-M, 2014 U.S. Dist. LEXIS 169478, at *12-14 (W.D. Okla. Nov. 3, 2014) (relying on the Oklahoma Court of Criminal Appeals holding that drug court teams constituted a separate political subdivision of the state). In *Peel v. Smith*, the United States District Court for the Northern District of Oklahoma held drug courts were an arm of the State of Oklahoma and entitled to Eleventh Amendment protection. No. 07-CV-554-JHP, 2008 U.S. Dist. LEXIS 9894, at *4 (N.D. Okla. Feb. 8, 2008). The *Peel* Court found that the claim against the drug court was a claim against the state courts of Oklahoma. *Id.*

The drug court operated in Rogers County is a felony drug court created under the Act. *See* OKLA. STAT. tit. 22, § 471.2(A)(4). As required by Oklahoma law, Rogers County's drug court program is operated by the 12th Judicial District through the appointed drug court judge. Rogers County does not have the legal authority to operate, maintain, or oversee the drug court program and, pursuant to Oklahoma law, has not engaged in any oversight or management of the drug court program.

II. Rogers County is not a party to the contract with the Oklahoma Department of Mental Health for the operation of drug court; is not a party to the independent contractor agreement with the drug court coordinator; and does not pay the drug court coordinator.

"A contract is an agreement to do or not to do a certain thing." OKLA. STAT. tit. 15, § 1. OKLA. STAT. tit. 15, § 2 lists the elements of a contract: "It is essential to the existence of a contract that there should be: 1. Parties capable of contracting. 2. Their consent. 3. A lawful object; and. 4. Sufficient cause or consideration." The elements required to show consent are: "The consent of the parties to a contract must be: 1. Free. 2. Mutual; and. 3. Communicated by each to the other." OKLA. STAT. tit. 15, § 51; *see also* Restatement (Second) of Contracts § 17 (1979) ("[T]he formation of a contract requires a bargain in which there is a manifestation of mutual assent to the exchange and a consideration.").

Mutual consent is often, but not always, communicated through means of the exchange of an offer and acceptance. The requirement of an offer and acceptance was emphasized in *National Outdoor Advertising Co. v. Kalkhurst*, 418 P.2d 661, 664 (Okla. 1966), where the Oklahoma Supreme Court held: "It is an elementary rule of law in this jurisdiction that in order to constitute a contract there must be an offer on the part of one and an acceptance on the part of the other." *See also Armstrong v. Guy H. James Const. Co.*, 402 P.2d 275, 277 (Okla. 1965) ("An offer becomes a binding promise and results in a contract only when it is accepted."); *Horton Ins. Agency, Inc. v.*

Robinson, 63 Okla. B.J. 547, 549 (Okla. Ct. App.) (Aug. 6, 1991) ("A valid and enforceable contract requires an offer, acceptance, and consideration.").

Audit Finding 2018-010 acknowledges that Rogers County is not a party to the contract:

The Oklahoma Department of Mental Health entered into a contract with the District Court of Rogers County.

Audit Finding 2018-010 (emphasis added). The finding further provides that:

the contract was not presented to the Board of County Commissioners for action or acceptance nor was the County Treasurer notified that he would be acting as the financial officer to the drug court."

Id. (emphasis added). Under Oklahoma law, the above factors show that the contract is unenforceable and void as to Rogers County. *See National Outdoor Advertising Co. supra*; see also *Armstrong v. Guy H. James Const. Co.*, 402 P.2d 275, 277 (Okla. 1965) ("An offer becomes a binding promise and results in a contract only when it is accepted."); *Horton Ins. Agency, Inc. v. Robinson*, 63 Okla. B.J. 547, 549 ("A valid and enforceable contract requires an offer, acceptance, and consideration."), *supra*. Neither the Department of Mental Health, the district court, nor the drug court judge has the authority to bind Rogers County.

Similarly, Rogers County is not a party to the contract with the drug court administrator. Audit Finding 2018-010 states:

The Associate District Judge, also referred to as the Drug Court Judge, was the sole approver of the contract with the Drug Court Coordinator (Coordinator) to run the day to day operations of Drug Court.

Audit Finding 2018-010 (emphasis added). As a non-party to the Drug Court Coordinator contract, the contract is void and unenforceable as to Rogers County. Rogers County did not approve of the contract and has no responsibility or liability for the terms contained therein. Any breach of the Drug Court Coordinator contract are the sole responsibility of the Associate District Judge and/or the Drug Court Coordinator. Finally, no county funds are used to pay the Drug Court Coordinator's salary.

APPENDIX D

DISTRICT ATTORNEY/DRUG COURT MEMBER RESPONSE TO FINDING 2018-010

(Prepared by District Attorney)

District Attorney/Drug Court Member response to Finding 2018-010 - Lack of Internal Controls Over Drug Court

2018-010: Drug Court (Repeat Finding 2016-014 and 2017-015)

District Attorney's Office, District 12, as member of the Drug Court Team: The District Court is responsible for establishing the Drug Court Program pursuant to the provisions of the Oklahoma Drug Court Act, OKLA. STAT. tit. 22, § 471, *et seq* (the "Act"). *See* OKLA. STAT. tit. 22, § 471.1(B) ("Each district court of this state is authorized to establish a drug court program pursuant to the provisions of this act, subject to availability of funds¹"). The Presiding Judge of the Judicial District designates a judge to administer the Drug Court Program. *Id.* at 471.1(D).

The Act requires the creation of a Drug Court Team. *Id.* The Drug Court Team consists of the Judge assigned to "administer the program, a district attorney, a defense attorney, and other persons designated by the drug court team . . ." *Id.* The district attorney is a mandatory member of the Drug Court Team. *See Id.*

The Rogers County Drug Court Program is a felony drug court created pursuant to the Act. District Judge Steve Pazzo administers the Drug Court Program. As required by the Act, District Attorney Matt Ballard serves as a member of the Drug Court Team.

With respect to expenses and expenditures of the Rogers County Drug Court, the Drug Court Coordinator is responsible for ensuring all expenses are necessary expenditures of the program and is responsible for properly encumbering funds and tracking purchases. The Drug Court Coordinator presents generic expenses to the Drug Court Team for review. The expenses, as presented, indicate general purchases of office supplies, equipment, materials, etc. The Drug Court Team does not receive or review specific expenditures of the Drug Court Program.² As a member of the Drug Court Team, Mr. Ballard reviews the expenditures pursuant to the statutory duty to ensure that all expenditures appear, on their face, to support the "goal of the [Drug Court P]rogram and of the appropriate treatment methods for the various conditions." *Id.* at 471.1(D). Mr. Ballard's review and oversight as a member of the Drug Court Team that all expenditures appear on their face to ensure with the statutory requirements that drug court programs meets the specific requirements enumerated in the Act, specifically those requirements set forth in OKLA. STAT. tit. 22, § 471.1(G).

Mr. Ballard's participation and involvement in the Drug Court Team is mandated by the Act. While Mr. Ballard is required to be a member of the Drug Court Team, there is no statutory requirement that the Drug Court Team review or approve expenditures by the Drug Court Program. The Act requires Mr. Ballard's participation in the Drug Court Program to ensure the goals of the Drug Court Program are maintained, however, pursuant to the Act, the operation of the Drug Court Program remains vested in the District Court as the entity responsible for establishing and administering the Drug Court Program.

¹ All funding for the Rogers County Drug Court comes from the State of Oklahoma, through the Department of Mental Health. No funding is provided by Rogers County or the District Attorney's Office.

² Expenditures relating to the payment of the Drug Court Coordinator are not submitted to the Drug Court team for review. Further, the Drug Court Coordinator's contract is not submitted to the Drug Court Team for review or approval. All decisions relating to the hiring and compensation provided to the Drug Court Coordinator are made by the District Court Judge administering the Drug Court Program.



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