

COUNTY AUDIT

ROGERS COUNTY

For the fiscal year ended June 30, 2013



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

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

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

June 17, 2014

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers County, Oklahoma for the fiscal year ended June 30, 2013. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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ITEMS OF INTEREST

Footnote Section 3D – Material Services Lawsuit: Fiscal year collections, remittances, and the amortization schedule are presented in the footnote that is related to the judgment awarded against the County in court case CJ-2004-234. (Pg. 8-9)

Finding 2013-7 – Inadequate Internal Controls and Noncompliance over Fixed Assets: One surveillance camera has been missing since July 14, 2011, but the County still paid an annual subscription fee of \$179.88 for the period of September 2012 through September 2013. (Pg. 49)

Finding 2013-13 – Noncompliance with State Statutes – Treasurer Not Issuing Tax Warrants for Delinquent Personal Property Taxes: The County has not been issuing warrants for the collection of delinquent personal property tax. For the period of tax years 2006 through 2012 the amount of uncollected personal property taxes was \$663,418.60. (Pg. 31)

Finding 2013-16 – FEMA Funds Used For Unapproved Projects and Overcharges Submitted for Federal Reimbursement: The FEMA alternate project awarded to the county depicted specific roads the county could perform work on. FEMA identified the approved roads with GPS coordinates. Throughout the course of the FEMA project, the County requested and received \$4,254,337.53 from FEMA for work performed on roads that were not within the scope of work. (Pg. 42)

Finding 2013-17 – Limited documentation exists to support the expenditure of \$140,000 to resurface two miles of road which was subsequently torn out and replaced by county crews 18 months after seemingly being repaved: On May 12, 2014, OSAI observed County employees tearing out and replacing a two-mile stretch of road that had been previously paved and invoiced in November 2012. (Pg. 33)

Finding 2013-20 – Acceptance of Bids Does Not Appear to Comply with State Statutes (Repeat Finding): During the period under audit the County regularly accepted all bids based on “first available and closest to the location” as opposed to “lowest and best” as required per statute. (Pg. 35)

Finding 2013-21 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding): The County solicited bids for a trade name product of “ChipLock,” thus restricting bids to one vendor. This same vendor was once granted sole-source status, and the County has expended \$8,085,611.56 with this vendor since July 1, 2010. (Pg. 44)

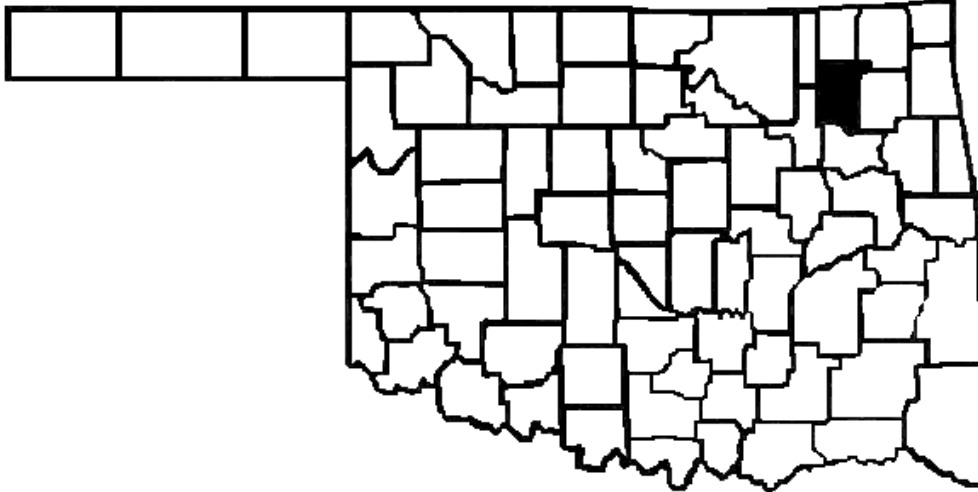
**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

ITEMS OF INTEREST (Continued)

Finding 2013-22 – No Verification of Road Construction/Materials Documented – Noncompliance with Purchasing Procedures Required by State Statute and Federal (Repeat Finding): The District 2 Commissioner approved road projects with a vendor in amounts ranging from \$6,000 to \$2.5 million without ensuring funds were available. Further, these expenditures did not have proper supporting documentation. **(Pg. 47)**

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iv -x
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**ROGERS COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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

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

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

While agriculture is still basic, the mining of coal and shale has also been important to the economy of Rogers County. Points of interest in the county include the Will Rogers Memorial Museum in Claremore, which attracts nearly one million visitors annually; the J.M. Davis Gun Museum; Totem Pole Historical Park located east of Foyil; and the Belvidere Mansion in Claremore. For more information, call the county clerk's office at 918/341-2518.

County Seat – Claremore

Area – 711.44 Square Miles

County Population – 88,367
(2012 est.)

Farms – 1,963

Land in Farms – 371,349 Acres

Primary Source: Oklahoma Almanac 2013-2014

**ROGERS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Board of County Commissioners

District 1 – Dan DeLozier
District 2 – Mike Helm
District 3 – Kirt Thacker

County Assessor

Scott Marsh

County Clerk

Robin Anderson

County Sheriff

Scott Walton

County Treasurer

Cathy Pinkerton-Baker

Court Clerk

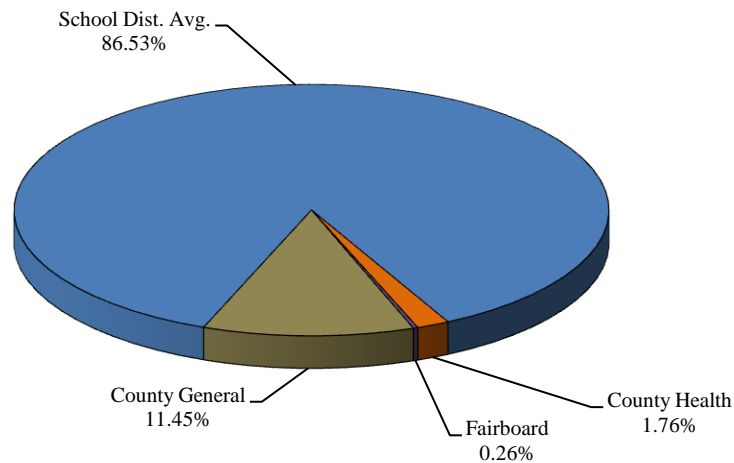
Kim Henry

District Attorney

Janice Steidley

**ROGERS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

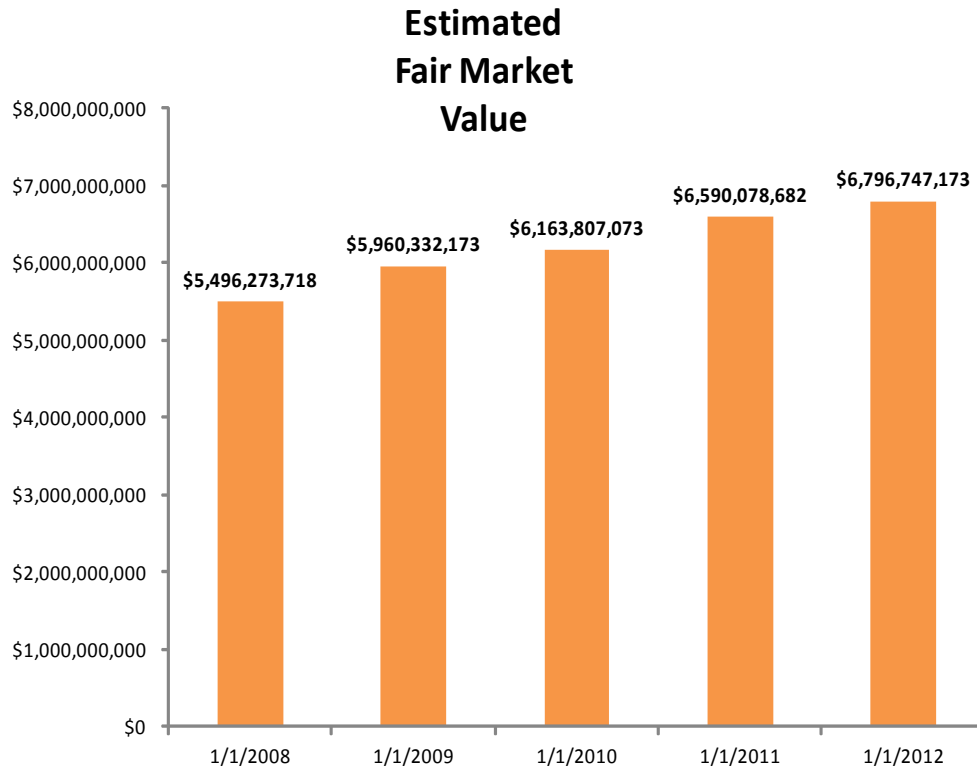
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
					Career				
County General	10.01			Gen.	Bldg.	Skg.	Tech	Common	Total
County Health	1.54	Claremore	1	35.97	5.14	24.69	11.27	4.099	81.17
Fairboard	0.23	Catoosa	2	35.46	5.06	17.04	13.18	4.099	74.84
		Chelsea	3	36.51	5.22	17.75	11.27	4.099	74.85
Others		Oologah-Talala	4	35.38	5.05	13.63	11.27	4.099	69.43
Oologah/Talala EMS	3.70	Inola	5	36.33	5.19	16.29	11.27	4.099	73.18
		Sequoyah	6	36.69	5.24	24.26	11.27	4.099	81.56
Fire Districts		Foyil	7	36.42	5.20	17.63	11.27	4.099	74.62
Verdigris	10.30183	Verdigris	8	35.65	5.09	17.42	11.27	4.099	73.53
Limestone	14.28000	Justus-Tiawah	9	36.48	5.21	18.54	11.27	4.099	75.60
Northwest	11.95229	Tulsa-Collinsville	JT-6	36.47	5.60	22.95	11.27	4.099	80.39
NW Cities	11.95229	Tulsa-Owasso	JT-11	36.81	5.26	27.06	11.27	4.099	84.50
Foyil	15.91400	Mayes	JT-32	36.84	5.26	6.66	11.27	4.099	64.13
Tri-District	10.00000								

**ROGERS COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

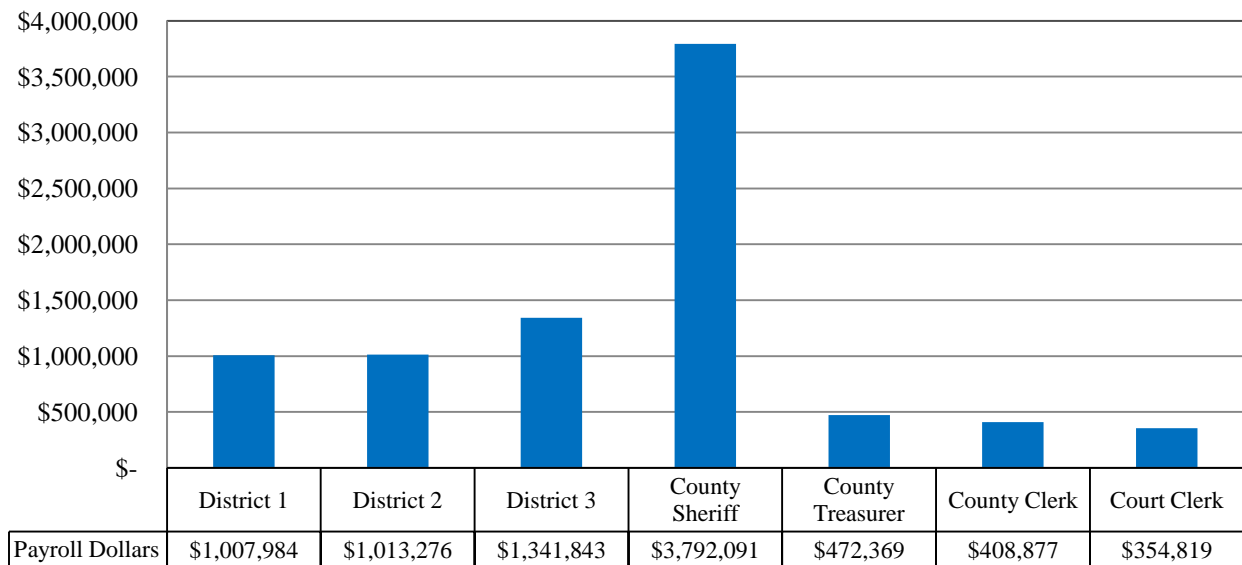
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$167,887,408	\$120,042,208	\$484,721,394	\$25,008,821	\$747,642,189	\$6,796,747,173
1/1/2011	\$151,690,978	\$121,021,292	\$472,503,431	\$20,307,046	\$724,908,655	\$6,590,078,682
1/1/2010	\$131,410,688	\$114,676,528	\$452,078,227	\$20,146,665	\$678,018,778	\$6,163,807,073
1/1/2009	\$130,429,290	\$115,904,148	\$429,157,314	\$19,854,213	\$655,636,539	\$5,960,332,173
1/1/2008	\$117,414,594	\$106,694,142	\$400,046,100	\$19,564,727	\$604,590,109	\$5,496,273,718



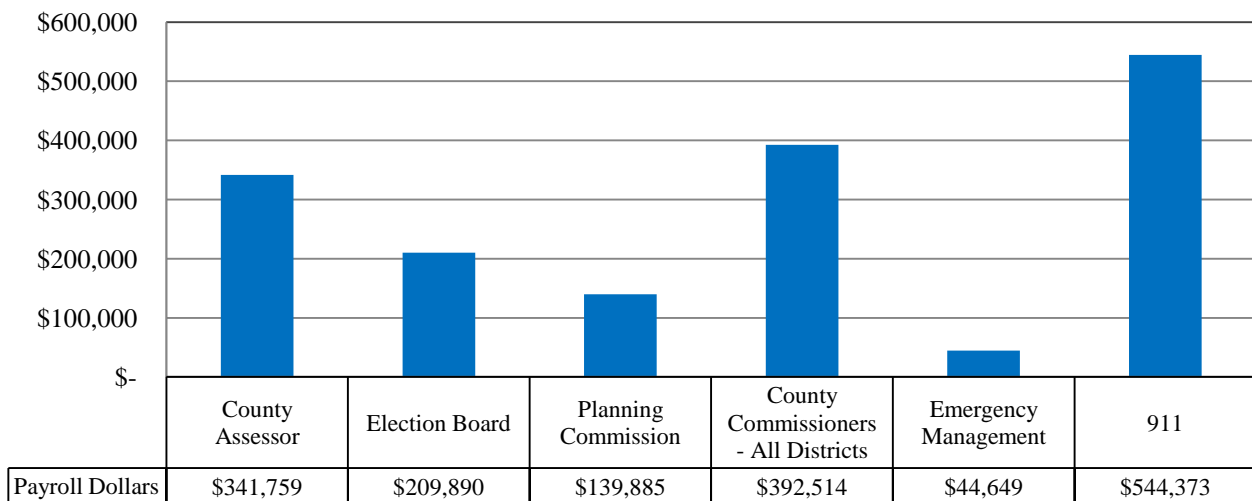
**ROGERS COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

Payroll Expenditures by Department



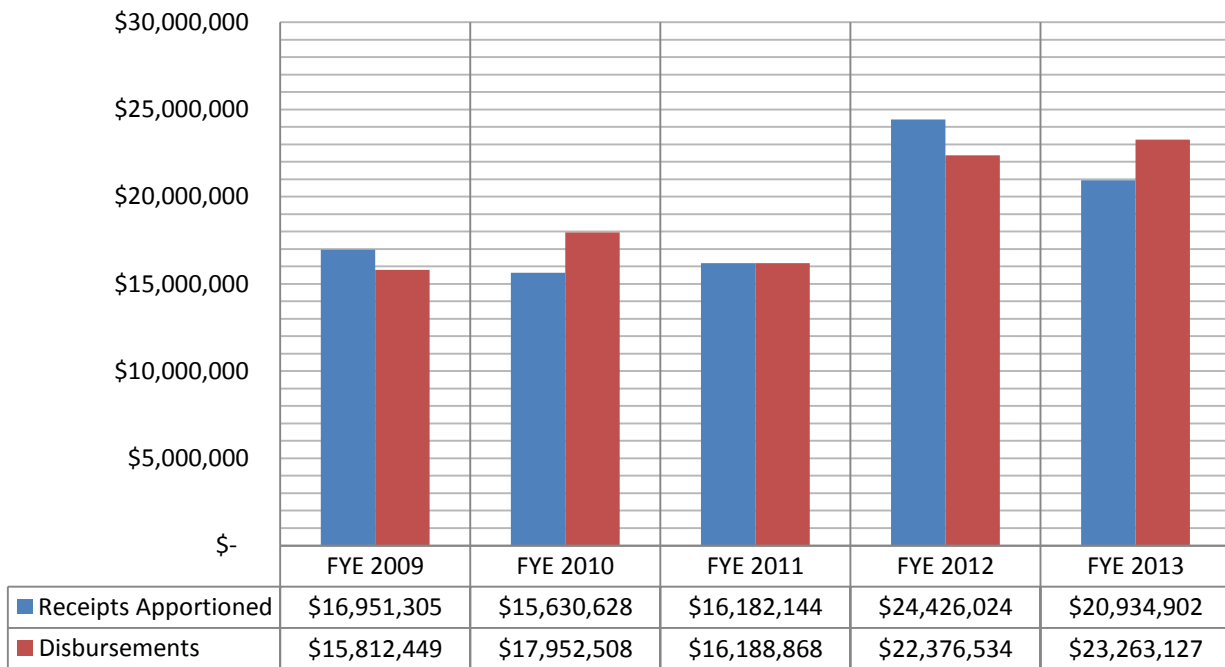
Payroll Expenditures by Department



**ROGERS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

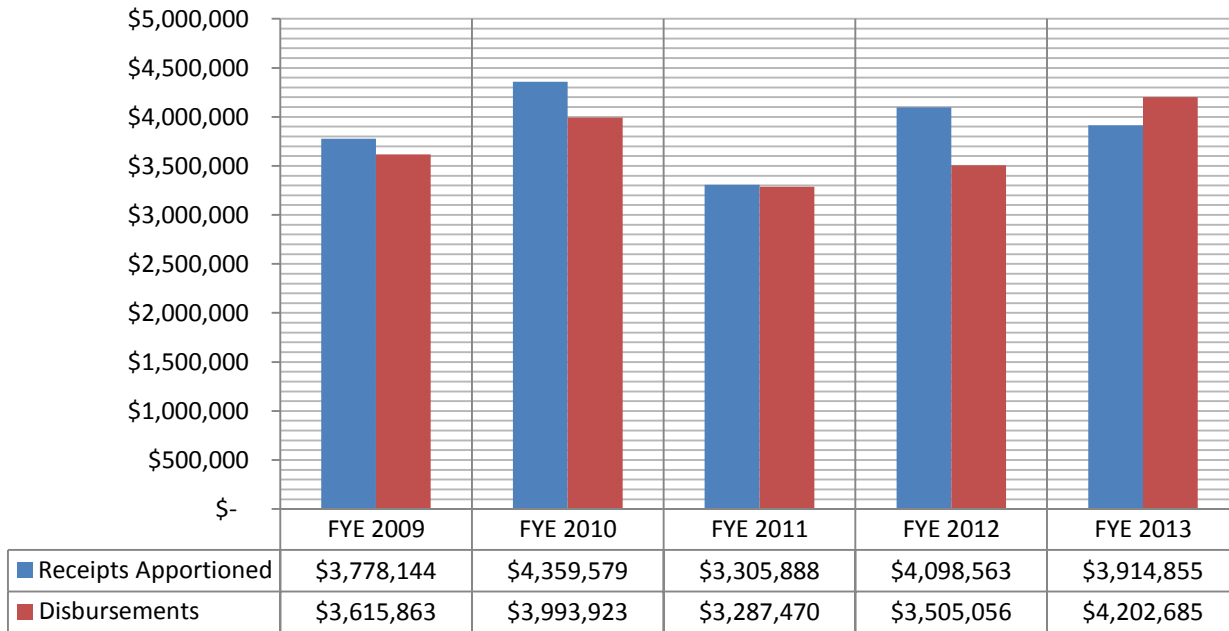
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.



**ROGERS COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

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, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 qualified audit opinion.

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

As described in Note 1 of the financial statement, 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 statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Rogers County as of June 30, 2013, or changes in its financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Finding 2013-22 in our Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133, management cannot provide adequate supporting documentation for expenditures of the Highway Fund that were reimbursed by the Federal program *Disaster Grants – Public Assistance*. The full effect of the misstatement in the financial statement, although determined to be material, cannot be quantified.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, 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, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of Rogers County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Rogers County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

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

June 17, 2014

REGULATORY BASIS FINANCIAL STATEMENT

ROGERS COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:				
Major Funds:				
County General Fund	\$ 7,608,153	\$ 20,934,902	\$ 23,263,127	\$ 5,279,928
T-Highway	1,957,846	3,914,855	4,202,685	1,670,016
County Health	1,454,465	1,170,763	928,423	1,696,805
Criminal Justice Authority	174,813	2,784,110	2,688,944	269,979
Use Tax	7,309	1,010,249	1,017,558	-
Sheriff Jail Account	2,741,256	2,767,543	2,708,978	2,799,821
Latshaw Use Tax	274,731	-	-	274,731
County Bridge and Road Improvement Fund (CBRIF)	545,230	274,720	149,424	670,526
New Courthouse Project	-	1,143,226	1,143,226	-
Material Service Lawsuit	-	1,337,508	1,337,508	-
Remaining Aggregate Funds	2,304,909	2,748,876	2,144,379	2,909,406
Combined Total - All County Funds, as restated	\$ 17,068,712	\$ 38,086,752	\$ 39,584,252	\$ 15,571,212

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, 2013**

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, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

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

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

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

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

Latshaw Use Tax – use tax revenues from construction that is being held until May, 2014 to avoid protest.

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

New Courthouse Project – revenues are from County sales tax and disbursements are for the lease payments for bonds sold to build the courthouse.

Material Services Lawsuit – revenues are from a County sales tax and disbursements are to Rogers County Finance Authority for the payment on a judgment against the County.

C. Basis of Accounting

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

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

D. Budget

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Long Term Obligations

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

ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

real property into the City of Claremore-Rogers County Metropolitan Planning Area. On May 2, 2012, the plaintiff was awarded \$27,929,657.12, with interest accruing at \$4,017.28 per day at the statutory rate of 5.25% for the calendar year 2012 and thereafter at the rate prescribed in Oklahoma Statutes Title 12 O.S. § 727.1. This judgment was paid by the Rogers County Finance Authority through a bond issue that will be repaid with a dedicated sales tax.

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

During the fiscal year 2013, the County collected \$1,337,508.33 in sales tax collections dedicated for the obligation for bonds issued to pay a judgment awarded against the County. These funds were remitted to the Rogers County Finance Authority. There were no bonds retired during fiscal year 2013.

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

<u>August 1,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 1,247,608	\$ 1,247,608
2014	915,000	1,247,608	2,162,608
2015	945,000	1,220,158	2,165,158
2016	975,000	1,191,808	2,166,808
2017	1,000,000	1,162,558	2,162,558
2018 – 2022	5,375,000	5,455,215	10,830,215
2023 – 2027	6,230,000	4,594,100	10,824,100
2028 – 2032	7,565,000	3,258,072	10,823,072
2033 – 2036	<u>9,370,000</u>	<u>1,245,735</u>	<u>10,615,735</u>
Total	<u>\$32,375,000</u>	<u>\$20,622,862</u>	<u>\$52,997,862</u>

E. Sales Tax

On February 5, 2008, Rogers County voters approved the renewal of a one-cent sales tax, which originally began on April 1, 1988. The sales tax was renewed for a period of five years. Proceeds of the sales tax are to be used for the construction, operation, and maintenance for the county road and bridge system. These funds are accounted for in the County General Fund.

The voters of Rogers County approved a ½% sales tax effective May 1, 1997, to be administered by the Rogers County Criminal Justice Authority for the purpose of acquiring a site and erecting, furnishing, equipping, operating, and maintaining a county jail to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County for such purposes. This 1/2% sales tax became effective May 1, 1997, and continues thereafter, but reduces to one-third percent (1/3%) on the earlier of May 1, 2015, or the date of payment or provision for payment of all indebtedness, incurred by or on behalf of Rogers County. The principal debt was retired in 2009 and the sales

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

tax was reduced to one-third percent (1/3%). These funds are accounted for in the Criminal Justice Authority fund.

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 (30) 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 New Courthouse Project fund.

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

F. Restatement of Prior Year Ending Balance

Due to the reclassification of a transfer that occurred during fiscal year ending June 30, 2012, the ending balance for County General Fund and T-Highway Fund as reported is different than the July 1, 2012 beginning balance.

Prior year County General Fund ending balance, as reported	\$7,358,153
Reclassification of prior year transfer	<u>250,000</u>
Prior year County General Fund ending balance, as restated	<u>\$7,608,153</u>
Prior year T-Highway Fund ending balance, as reported	\$2,207,846
Reclassification of prior year transfer	<u>(250,000)</u>
Prior year T-Highway Fund ending balance, as restated	<u>\$1,957,846</u>

OTHER SUPPLEMENTARY INFORMATION

ROGERS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 7,609,845	\$ 7,608,153	\$ (1,692)
Less: Prior Year Outstanding Warrants	(382,543)	(382,543)	-
Less: Prior Year Encumbrances	(3,150,119)	(2,967,083)	183,036
Beginning Cash Balances, Budgetary Basis	4,077,183	4,258,527	181,344
Receipts:			
Ad Valorem Taxes	7,127,522	7,370,053	242,531
Charges for Services	486,157	718,286	232,129
Intergovernmental Revenues	5,556,933	5,202,461	(354,472)
Sales Tax	6,065,523	6,859,356	793,833
Miscellaneous Revenues	83,104	784,746	701,642
Total Receipts, Budgetary Basis	19,319,239	20,934,902	1,615,663
Expenditures:			
County Sheriff	2,200,027	2,163,184	36,843
County Treasurer	509,952	496,542	13,410
County Commissioners	95,576	92,810	2,766
OSU Extension	268,753	205,291	63,462
County Clerk	441,172	425,073	16,099
Court Clerk	439,157	430,889	8,268
County Assessor	418,618	404,373	14,245
Revaluation of Real Property	479,482	464,644	14,838
Human Resources	110,800	89,228	21,572
District Court	508,564	468,652	39,912
General Government	4,084,681	3,887,778	196,903
Excise-Equalization Board	6,100	3,122	2,978
County Election Board	287,259	286,989	270
Information Technology	93,711	71,951	21,760
Planning Commission	182,165	175,991	6,174
Charity	9,500	3,800	5,700
One Cent Sales Tax	12,120,119	10,873,260	1,246,859
FEMA One Cent Sales Tax	9	-	9
Emergency Management	62,929	62,203	726
911 Dispatchers	358,786	302,977	55,809
General Highway	23,511	17,757	5,754
County Cemetery	151,685	130,800	20,885
County Audit Budget Account	254,075	22,787	231,288
Maintenance Dept. Acct.	279,791	254,033	25,758
Provision for interest on warrants	10,000	-	10,000
Total Expenditures, Budgetary Basis	23,396,422	21,334,134	2,062,288

Continued on next page

ROGERS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	3,859,295	\$ 3,859,295
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		329,703	
Add: Current Year Encumbrances		1,088,424	
Add: Estopped Warrants		2,506	
Ending Cash Balance		\$ 5,279,928	

ROGERS COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
COUNTY HEALTH DEPARTMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,454,465	\$ 1,454,465	\$ -
Less: Prior Year Outstanding Warrants	(51,779)	(51,779)	-
Less: Prior Year Encumbrances	(114,860)	(95,925)	18,935
Beginning Cash Balances, Budgetary Basis	1,287,826	1,306,761	18,935
Receipts:			
Ad Valorem Taxes	1,046,699	1,133,854	87,155
Charges for Services	15,575	15,575	-
Intergovernmental	12,699	12,699	-
Miscellaneous Revenues	5,751	8,635	2,884
Total Receipts, Budgetary Basis	1,080,724	1,170,763	90,039
Expenditures:			
Health and Welfare	2,368,550	1,210,418	1,158,132
Total Expenditures, Budgetary Basis	2,368,550	1,210,418	1,158,132
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,267,106	\$ 1,267,106
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		264,370	
Add: Current Year Outstanding Warrants		165,329	
Ending Cash Balance		\$ 1,696,805	

ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Resale Property	\$ 503,454	\$ 521,092	\$ 325,380	\$ 699,166
Courthouse Bond Proceeds	341,007	554,829	300,000	595,836
Civil Defense/Emergency Management	18,703	21,686	13,925	26,464
Sheriff Drug Enforcement	2,235	-	-	2,235
Sheriff Civil Fee	119,444	396,830	347,272	169,002
County Clerk Lien Fee	23,137	24,721	31,270	16,588
Treasurer Mortgage Certification Fee	87,546	22,399	13,152	96,793
County Clerk Records Preservation	69,776	99,074	111,416	57,434
Planning Commission Engineering Fees	3,724	8,000	9,500	2,224
Sheriff Commissary	39,580	241,020	188,220	92,380
Sheriff Service Fees	61,167	37,850	37,769	61,248
Sheriff Courthouse Security	15,302	37,833	17,753	35,382
Attendant Care	2,505	-	-	2,505
Community Development Block Grant -				
Advanced Research Chemical	80	249,950	249,950	80
Assessor Revolving	19,866	1,833	12,368	9,331
Sheriff Special Account	1,092	-	309	783
Oklahoma Highway Safety Grant	1,974	43,266	41,935	3,305
Wireless Prepay 911 Fee	42,100	40,905	-	83,005
Emergency 911	25	151,602	67,824	83,803
Cell Phone Usage	952,192	295,986	376,336	871,842
Combined Total - Remaining Aggregate Funds	\$ 2,304,909	\$ 2,748,876	\$ 2,144,379	\$ 2,909,406

ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. Budgetary Schedules

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

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

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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

Courthouse Bond Proceeds – revenues are from county sales tax and disbursements are for the payment of bonds sold to build the courthouse.

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

Sheriff Drug Enforcement – revenues are from the sale of property forfeited in drug cases. Disbursements are for the intervention and prevention of narcotic use.

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

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

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

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Planning Commission Engineering Fees – revenues are from building permits, licenses, and engineering fees. Individuals deposit \$500 for projects and once the project is approved the individual is reimbursed.

Sheriff Commissary – revenues are from profits of commissary sales in the County jail. Disbursements are for jail operations.

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

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

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

Community Development Block Grant - Advanced Research Chemical – revenues are from a federal grant for water improvements at Rural Water District 3. Disbursements are for a 12" water line project.

Assessor Revolving – revenues are from any and all fees collected by the County Assessor plus interest earning. Disbursements are to maintain electronic databases and geographic information systems in the Assessor's office.

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

Oklahoma Highway Safety Grant – accounts for the reimbursement of extra shifts of law enforcement, put on the road strictly to enforce safety against impaired driving.

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

Emergency 911 – accounts for the collection of fees charged on telephone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

Cell Phone Usage – accounts for the collection of fees charged on cell phone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Grant:			
Payments to States in Lieu of Real Estate Taxes	12.112		\$ 15,721
Total U.S. Department of Defense			<u>15,721</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228		<u>249,950</u>
Total U.S. Department of Housing and Urban Development			<u>249,950</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		<u>745</u>
Total U.S. Department of Interior			<u>745</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Oklahoma Highway Safety Office			
State & Community Highway Safety	20.600	PT-11-03-20-01	16,748
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	KB-12-03-36-02	21,859
National Highway Traffic Safety Administration (NHTSA)			
Discretionary Safety Grants	20.614	CE-12-03-26-02	<u>2,906</u>
Total U.S. Department of Transportation			<u>41,513</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management			
* Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1754	4,164,950
Emergency Management Performance Grants	97.042		21,686
State Homeland Security Program	97.073		<u>18,500</u>
Total U.S. Department of Homeland Security			<u>4,205,136</u>
Total Expenditures of Federal Awards			<u>\$ 4,513,065</u>

* Management lacked sufficient documentation to support the schedule of expenditures.

ROGERS COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Rogers County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Rogers County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 17, 2014.

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. Our report also included a qualified opinion on the financial statement because management cannot provide adequate supporting documentation for expenditures of the Highway Fund that were reimbursed by the Federal Disaster Grants – Public Assistance program.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1, 2013-3, 2013-4, 2013-5, 2013-21, and 2013-22.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2013-2, 2013-13, 2013-17, and 2013-20.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-2.

We also noted certain instances of noncompliance with provisions of contracts and grant agreements or abuse that have an effect on the financial statement that is less than material, but warrant the attention of those charged with governance, and which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Rogers County's Responses to Findings

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

Purpose of this Report

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

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



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

June 17, 2014



Oklahoma State Auditor & Inspector

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

Independent Auditors Report on Compliance For Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133

TO THE OFFICERS OF
ROGERS COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We were engaged to audit the compliance of Rogers County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Rogers County's major federal program for the year ended June 30, 2013. 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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Rogers County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Rogers County's compliance based on conducting the audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because of the matter described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As described in item 2013-22, in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of Rogers County with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the County's major federal program, Disaster Grants – Public Assistance (97.036), nor were we able to satisfy ourselves as to Rogers County's compliance with those requirements by other auditing procedures. Other instances of noncompliance were noted and reported as items 2013-16 and 2013-21.

Disclaimer of Opinion

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, and we do not express, an opinion on Rogers County's compliance with the requirements

described in OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-8, 2013-9, 2013-10, 2013-16, 2013-21, and 2013-22 to be material weaknesses.

Other Matters

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

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



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

June 17, 2014

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

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

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

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

Finding 2013-1 - Segregation of Duties - Payroll (Repeat Finding)

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

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

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

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

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Chairman DeLozier has established an Audit Oversight Committee to address these issues and to take the action necessary to prevent a reoccurrence.

Robin Anderson, County Clerk: The Payroll Clerk does NOT calculate the amounts but verifies what each department has turned in on the payroll claim, which has been signed and authorized by each employee and the proper department head. She does update the master payroll file, but we have a different employee to issue payroll and print payroll warrants. She does remove the terminated employees per the request of the Human Resources Director and the Human Resources Director has full access to review all payroll functions. Please note that the Human Resources Director is not an employee of the County Clerk's office. We feel like having that extra employee issue payroll and print payroll warrants will put us in compliance with your recommendations. We strive to work for the Citizens of Rogers County and wish to do our work correctly, efficiently, and in order. Our goal is to be in compliance and to have our office more streamlined.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of

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payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2013-2 - Inadequate Internal Controls Over Purchasing and Noncompliance with State Statutes (Repeat Finding)

Condition: Our test of sixty-seven purchase orders reflected the following:

- Four purchase orders were encumbered after the invoice date and did not contain adequate supporting documentation:

P.O. # 209617	Construction Company	\$114,766.39
P.O. # 209400	Construction Company	\$737,909.80
P.O. # 301377	Construction Company	\$516,133.55
P.O. # 304927	Construction Company	\$991,757.69

- Purchase order #209616, for an equipment payoff with a financial institution, did not have any supporting documentation.

The County Clerk's software program automatically prints the BOCC Chairman's signature on warrants. The Clerk and a Deputy Clerk have administrator rights in the software program that allow them to initiate a purchase order, print warrants with the Chairman's signature, as well as having access to blank warrant stock. There is not a proper segregation of duties regarding issuing and printing warrants, custody of warrants, and authorization of warrants. *(The County stopped utilizing electronic signatures in May, 2014.)*

Cause of Condition: The County is not following established purchasing procedures. Procedures were not designed to adequately segregate the duties of custody and authorization of disbursements.

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

Recommendation: OSAI recommends the County implement procedures to ensure compliance with purchasing statutes. In addition, we recommend all purchases be properly requisitioned, encumbered, approved, received with proper supporting documentation attached, and retained by the County Clerk in accordance with state statutes. OSAI recommends that Officials who utilize electronic signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use. OSAI recommends that warrants and signature stamps be kept in a secure location.

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Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Chairman DeLozier has addressed the signature issue and has taken the appropriate measures to correct it, and will work with the Audit Oversight Committee to create a policy to ensure proper purchasing procedures are followed.

Robin Anderson, County Clerk:

- The four purchase orders that were encumbered after the invoice date were from fiscal years before I became County Clerk. All the documentation for the purchase orders was received in the office of former County Clerk.
- For the equipment payoff at the financial institution, this was processed before I became County Clerk.
- We no longer use the Chairman's electronic signature stamp but when it was in use, it was password protected. Two employees had access to it. A County Clerk Deputy physically signs each warrant and always has. The warrants are key-locked in a cabinet in the supply room. My signature stamps are also secured in my personal office.
- We strive to work for the Citizens of Rogers County and wish to do our work correctly, efficiently, and in order. Our goal is to be in compliance and to have our office more streamlined.

Auditor Response: During the audit period, an adequate segregation of duties was not in place.

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

Title 19 O.S. § 1505.C.2 states:

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

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

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

An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

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Finding 2013-3 - Inadequate Segregation of Duties Over the Collections Process - County Treasurer (Repeat Finding)

Condition: A lack of segregation of duties exists in the County Treasurer's office because one person is responsible for posting to the general ledger, and reconciling the general bank account. Upon visual verification, we determined there was no notation of the monthly bank reconciliation being reviewed by someone other than the preparer. However, the monthly bank reconciliations carried an un-supported reconciling item that varied from one month to the next. Furthermore, we noted that two other employees in the Treasurer's office have control of the Treasurer's signature stamp.

Cause of Condition: Management has not implemented procedures to separate key functions and processes among various employees in the office or to have levels of review over the processes performed. Procedures have not been designed to ensure signature stamps are used only by the owner.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions or access to the official's signature stamp could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. By not having reconciliations reviewed and approved by someone other than the preparer, the risk of unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds increases.

Recommendation: OSAI recommends that a system of internal controls be implemented to provide reasonable assurance that duties are adequately separated. The duties of receipting, depositing, and maintaining ledgers/reconciliations should be segregated. If duties cannot be properly segregated, procedures should be designed to mitigate risks such as monitoring and review of processes. OSAI recommends management take steps to ensure that reconciliations are reviewed and approved by someone other than the preparer. Furthermore, OSAI recommends that signature stamps only be used by the official. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use.

Management Response:

Cathy Pinkerton-Baker, County Treasurer: Duties of collections and preparing bank reconciliations and the general ledger has now been separated as this will be a shared responsibility, after being prepared these documents will be reviewed by a staffer and myself along with the preparer to be in compliance.

Criteria: Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not prepared or timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Finding 2013-4 - Inadequate County-Wide Controls (Repeat Finding)

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

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

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Examples of risks and procedures to address risk management:

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

Examples of activities and procedures to address monitoring:

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

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County will develop procedures to identify and address possible risks. The County will also design monitoring procedures to assess the quality of performance over time. These procedures will be written and included as a part of

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the County's policy and procedures handbook. Quarterly meetings will be scheduled with all departments for monitoring issues in all areas.

Kirt Thacker, District 3 County Commissioner: In 2007 the BOCC offered risk management procedures to all elected officials. Legal counsel at that time stated that a majority of elected officials must approve. The majority of elected officials in 2007 declined to approve. However, we were able to persuade the elected officials to begin drug and alcohol testing for employees of Rogers County. I felt this was a small step in the right direction.

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

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

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

Finding 2013-5 - Disaster Recovery Plan and Computer Usage (Repeat Finding)

Condition: Upon inquiry, the following offices do not have a Disaster Recovery Plan:

- County Treasurer
- County Sheriff

In the County Treasurer's office, users do not always log off when they leave their computer unattended, passwords are not required to be changed unless forgotten or compromised. The policy and procedures manual does not detail the duties to be performed on the computers.

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

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Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted. By not locking computers after periods of inactivity, computers may be exposed to unauthorized access, and the opportunities for misuse of county assets may be increased.

Recommendation: OSAI recommends the County develop a current Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. It should be stored off-site to ensure the safekeeping and integrity of the County's data. OSAI also recommends that passwords are changed periodically and that computers are set to log out after a certain period of inactivity.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Chairman DeLozier has created and Audit Oversight Committee to address current findings and develop safeguards to prevent "repeat finding" in future audits.

Mike Helm, District 2 County Commissioner: District 2 has an agreement with the software provider. The software provider offers off-site backup service which we utilize. In the event that a Disaster would take out the District 2 Warehouse we would resume operation in the Commissioners, Road Foreman, and Assistant Foreman's offices. This office is a 92,000 pound Metal Building that is secured to the ground. It is already secured with its own phone lines, internet service, and laptops. Our Recovery Plan would begin with contacting the software provider to get our computer system up and operational. These safeguards are already in place and ready at District 2 Warehouse.

Cathy Pinkerton-Baker, County Treasurer: As of July 2013, the Treasurer's office has implemented a Disaster Recovery Plan to be in compliance; the software provider has implemented new security software features to be in compliance.

Jon Sappington, Undersheriff: We currently have a back-up server that we regularly back-up our storage and data. The problem is that it is located in the same building. Since receiving your last report we have contacted an outside server hosting solution and are currently working on contracts. We are currently finalizing a Disaster Recovery Plan to present at the next audit.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster.

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

- Guidelines on how to use the recovery plan;

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- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step by step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation;
- Current names, addresses, telephone numbers of key personnel; and
- Business resumption alternatives for all users for establishing alternative work locations once IT services are available.

Finding 2013-13 – Noncompliance with State Statutes – Treasurer Not Issuing Tax Warrants for Delinquent Personal Property Taxes

Condition: While gaining an understanding of the ad valorem collection process in the County Treasurer's office, we noted that the County Treasurer does not issue tax warrants as authorized by state statute for the collection of delinquent personal property taxes. At the present time, the following amounts depict delinquencies by tax year:

Tax year 2006 -	\$66,785.97
Tax year 2007 -	\$71,582.05
Tax year 2008 -	\$81,159.20
Tax year 2009 -	\$81,985.57
Tax year 2010 -	\$120,275.05
Tax year 2011 -	\$114,894.80
Tax year 2012 -	\$126,735.96

The total amount of uncollected personal property taxes for tax years 2006 through 2012 is \$663,418.60. Although the Treasurer does send notices of delinquency to the taxpayer and publishes notice in the newspaper, the Treasurer takes no further steps in the process of collecting delinquent personal property taxes as required by statute.

Cause of Condition: The Treasurer is not following state statutes regarding procedures to be taken in an effort to collect delinquent personal property taxes.

Effect of Condition: This condition resulted in noncompliance with state statutes related to the collection of delinquent personal property taxes. This condition may have resulted in a loss of county funds due to non-collection of personal property taxes.

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Recommendation: OSAI recommends that the County Treasurer implement policies and procedures for complying with state statutes regarding the collection of delinquent personal property taxes.

Management Response:

Cathy Pinkerton-Baker, County Treasurer: Letters of intent to serve warrant's were mailed in October 2013, tax warrants will be issued for delinquent taxes July 2014, to include the 2013 taxes that will be placed on the lien docket in June to be in compliance.

Letters of intent to serve tax warrants or to issue tax warrants were not done for the previous years of 2006-2012. By the end of fiscal year 2013, we have corrected this by implementing the tax warrant program to reflect for fiscal year 2014.

Criteria: Title 68 O.S. § 3103 C and D states,

C. It shall be the duty of the county treasurer to collect all delinquent personal taxes due and unpaid, together with penalties and costs, as provided for by Section 2913 of this title, and costs and lien fee in the amount of Five Dollars (\$5.00), and, upon receiving the same, shall release the lien on the personal property tax lien docket.

D. The county treasurer shall keep a personal tax lien docket in the form prescribed by the State Auditor and Inspector and shall enter on said docket the names and addresses of delinquent taxpayers along with the other information required by the provisions of this section.

Title 68 O.S. § 3104A states,

1. The county treasurer shall issue tax warrants for the collection of delinquent personal taxes upon demand of any person, or whenever the treasurer shall deem it advisable, on a form prescribed by the State Auditor and Inspector, to the sheriff of the county in which the real or personal property is located for the collection of such delinquent personal taxes.

2. The tax warrant shall be issued or directed against any person or legal entity who had possession, control or an interest in personal property at the time the taxes were assessed.

3. The tax warrant shall command the sheriff to collect the amount due for unpaid taxes, penalties and interest thereon, cost of advertising, sheriff's collection fees and any other lawful fees on personal property belonging to the person to whom such taxes were assessed, and if no personal property is found, then upon any real property such person owns or in which such person has an interest.

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Finding 2013-17 – Limited documentation exists to support the expenditure of \$140,000 to resurface two miles of road which was subsequently torn out and replaced by county crews 18 months after seemingly being repaved.

Condition: An invoice dated November 2, 2012, from a construction company details work performed on two miles of road located on N/S 4050 County Road. The description of work performed, as noted on the estimate and the invoice, included double chip with chip seal and ChipLock. The cost of the work performed and billed by the construction company and the amount paid by the County totaled \$140,166.55. On May 12, 2014, 18 months later, OSAI observed that District 2 workers were in the process of tearing out and replacing the entire two-mile stretch of road.

Upon examination, District 2 was unable to provide any documentation to support the invoice submitted by the vendor and subsequently paid by the County. Further, the practice of the barn secretary dating the receiving report the same date as the general contractor's invoice resulted in no assurance existing to correlate that quantities billed by the general contractor were, in fact, received by the County. County personnel should be documenting the work performed by any general contractor on a daily basis and comparing actual progress to documentation submitted by the general contractor for payment. OSAI was unable to verify the construction work on this two-mile stretch of road was actually reviewed by anyone and subsequently approved to ensure that it was completed in its entirety and constructed in accordance with specifications.

A letter dated April 22, 2010, was submitted by this vendor to the Board of County Commissioners requesting that it be awarded sole-source status for its product, ChipLock. The vendor claimed, *"The mix designs used to produce ChipLock and CarbonSeal are unique combinations of aggregate and oil and are considered proprietary."* As noted in the FY12 Financial Audit Report of Rogers County, the Oklahoma Department of Transportation *"determined that ChipLock is not considered a unique product and other similar products exist that would be considered equivalent."*

Although weather may have contributed to the apparent need for this same two-mile stretch of road to be replaced in May 2014, the inability by District 2 to verify the legitimate expenditure of taxpayer funds in November 2012, and to document the actual previous construction of the road does nothing to instill confidence with county residents that appropriate safeguards are in place to protect public assets. Without accountability, there is no transparency – only a void.

Cause of Condition: The County failed to follow purchasing procedures outlined in state statutes. Internal controls were not designed and implemented to ensure that invoices billed to the County for road construction and materials were accurate and that the County received these goods/services according to specifications.

Effect of Condition: Because no one verified daily quantities of road construction materials and services provided, these conditions possibly resulted in the County paying for goods/services the County did not receive or paying for goods/services not delivered according to specifications.

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Recommendation: OSAI recommends that the County take measures to ensure payment for materials and services are accurately documented with detailed invoices, bills of lading, and evidence that county personnel verified the quantities of road construction materials and services on a daily basis.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Chairman DeLozier will work to establish a five-year road replacement plan to ensure all projects are properly documented throughout the County. All emergency projects FEMA eligible will be monitored on a County-wide basis and all decisions associated with disasters will be overseen by the Board of County Commissioners.

Mike Helm, District 2 County Commissioner: Again, these items did go through the Bid Process. By driving the County Road and looking at the Cross Section of the Road one would be able to determine that the funds were indeed spent to maintain the Road. With the extreme amount of Heavy Truck Traffic the Road has had failures. These failures need to be replaced, repaired, and maintained. The Road was part of the Chip Seal Roads for Improvement and was also given time to complete the 127 miles that were part of the Alternate Project. The Department of Transportation can and do have their opinion. Our ADA, Barry Farbro gave his opinion on this in a BOCC meeting and we continue to Bid the Process even with the ADA opinion.

Auditor Response: The matter as to whether the County inaccurately identified a vendor as sole source was addressed in a previous audit report. It is the position of OSAI the vendor in question does not satisfy the statutory requirements to qualify as sole source. Likewise, the Oklahoma Department of Transportation has determined these road surfacing components are not of unique quality and do not meet the definition of sole source. Additionally, the current assistant district attorney has advised the District 2 Commissioner to discontinue use of this vendor as a sole source for the same reasons noted above.

The focus of this finding is neither the vendor nor the quality of its product. The purpose for this recommendation is intended to assist the District 2 Commissioner in understanding that the lack of documentation maintained by District 2, its inability to verify whether the November 2012 project had, in fact, been constructed, and its failure to account for materials, if any, as actually being received by the County due to its practice of dating the receiving report the same date as the invoice results in a lack of reliability in its reporting and an inability to provide accountability which, in turn, places public confidence in jeopardy.

Kirt Thacker, District 3 County Commissioner: It may be possible for Rogers County to contract with an engineering firm to help provide oversight to major road projects.

Criteria: Good internal controls include ensuring goods/services purchased with taxpayer funds are received and documented in an accurate manner. All supporting documentation of expenditures should be reviewed and retained.

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Title 19 O.S. § 1505E states in part, “The procedure for the receipt of items shall be as follows:

1. A receiving officer for the requesting department shall be responsible for receiving all items delivered to that department;
2. Upon the delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered;
3. If no such purchase order has been provided, the receiving officer shall refuse delivery of the item;
4. If a purchase order is on file, the receiving officer shall obtain a delivery ticket, bill of lading, or other delivery document and compare it with the purchase order.;
5. The receiving officer shall complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered. The receiving report form shall be prescribed by the State Auditor and Inspector. The person delivering the goods shall acknowledge the delivery by signature, noting the date and time.”

Finding 2013-20 – Acceptance of Bids Does Not Appear To Comply with State Statutes (Repeat Finding)

Condition: The Board of County Commissioners (BOCC) solicits bids for most commonly used goods and/or services while its process of accepting bids does not appear to comply with state statutes.

When counties purchase “needed or commonly used supplies, materials, [or] equipment,” 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

After bids are published in the newspaper and sealed bids are opened in a public meeting, Rogers County BOCC engages in a regular practice of accepting *all* bids based on “first available and closest to the location” as opposed to “lowest and best” as specified in statute. The result is that no vendor is identified as the lowest bidder. When testing expenditures on items that required a bid, no documentation was maintained to indicate vendors were contacted to determine availability to provide goods or services.

Further, it should be noted that when a vendor submits a bid it is locking in the price for a specified period of time. The transportation costs should be evaluated when the bids are opened and the lowest and best bid should be selected. Identifying which vendor is closest does not impact the bid price for items bid on a per-unit basis that includes the delivery cost.

After reviewing the minutes of the Board of County Commissioners, OSAI could not determine that bids were awarded to the lowest and best bidder for commonly used goods and/or services.

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Cause of Condition: The County did not comply with 19 O.S. § 1505(B) which requires that it award a bid to the lowest and best bidder. According to the minutes of the BOCC, the amount of a bid was not considered a factor in determining how to award bids for goods and/or services.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the awarding of bids. There was no evidence that the County tried to obtain the best price for materials purchased.

Recommendation: OSAI recommends that the County thoroughly review bids and determine which vendor is the lowest and best bidder. The successful bidder should be clearly documented in the minutes. If the successful bidder was not the lowest bidder, the reasons for not awarding the bid to the lowest and best bidder should be clearly documented in the minutes.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: District 1 makes every attempt to utilize the lowest bid and will implement procedures to document when the lowest bid is not used, due to transportation costs or availability.

Mike Helm, District 2 County Commissioner: We follow the Bid Process. We have on staff an employee that sees to the process that the Bids are done in an Open Meeting. District 2 uses a weight scale measuring process. (attachments provided)

Auditor Response: The documentation provided by District 2 Commissioner in response to this audit finding, does not support the assertion “We follow the Bid Process.” Although District 2 does incorporate weight scales in awarding bids for the purchase of equipment, Finding 2013-20 relates only to the purchase of consumable items such as rock, asphalt, chip/seal, etc. The management response from District 2 Commissioner is unsupported.

Kirt Thacker, District 3 County Commissioner: I believe that closest and first available was equivalent to lowest and best. Documentation of decisions is best practice and will be implemented. Verbiage will be changed from closest and first available to lowest and best bid.

Criteria: Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price.

Title 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

Finding 2013-21 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding)

See details of this Finding in Section 3 of this report.

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Finding 2013-22 – No Verification of Road Construction/Materials Documented – Noncompliance with Purchasing Procedures Required by State Statute and Federal Compliance Requirements (Repeat Finding)

See details of this Finding in Section 3 of this report.

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

Finding 2013-8 – Schedule of Expenditures of Federal Awards (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management

QUESTIONED COSTS: \$-0-

Condition: 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.

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

Effect of Condition: These conditions resulted in misstatements of the Schedule of Expenditures of Federal Awards.

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

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County has retained a CPA to prepare all information pertaining to Federal Funds as required in OMB Circular A-133 and will implement proper procedures to ensure accurate information is collected.

Mike Helm, District 2 County Commissioner: Management chose not to respond.

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

Subpart C—Auditees

§____.300 Auditee responsibilities.

The auditee shall:

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

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

Finding 2013-9 – County Wide Controls Over Major Programs (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

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

QUESTIONED COSTS: \$-0-

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

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

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

Recommendation: OSAI recommends the County implement internal controls to ensure compliance with grant requirements.

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Examples of control environment and procedures to address control environment for federal programs:

Control Environment	Procedures
The communication to employees from management of its belief that internal controls are important to meeting goals and objectives of federal grants.	<ul style="list-style-type: none"> • Establish written policies and procedures regarding federal funds. • Provide resources and training for the proper handling of federal funds. • Establish a written policy with regards to reporting known or suspected misappropriation of federal funds.

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

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

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

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

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County will develop procedures to identify and address possible risks. The County will also design monitoring procedures to assess the quality of performance over time. These procedures will be written and included as a part of

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the County's policy and procedures handbook. Quarterly meetings will be scheduled with all departments for monitoring issues in all areas.

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

The control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

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

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

Finding 2013-10 - Internal Controls Over Major Programs – FEMA (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

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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-

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

Cause of Condition: Internal controls have not been designed and implemented with regard to ensuring compliance requirements of federal grants due to management being unaware of the need for such internal controls.

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

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal controls to ensure compliance with requirements. OSAI, further, recommends the County utilize available resources, such as the website, www.cfda.gov, to develop controls to ensure compliance with restrictions and guidelines set forth for the types of grants received.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County will further establish procedures for grant applications to be presented to the BOCC prior to their submission. Once awarded procedures will be implemented to monitor grant progress ensuring proper documentation for SEFA is accurately reported.

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

Subpart C—Auditees

§____.300 Auditees responsibilities.

The auditee shall:

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

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

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Finding 2013-16 – 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

Condition: FEMA awarded Rogers County a project in the amount of \$13,812,364.80 for a natural disaster that shut down the Keetonville Road. The work billed to FEMA on this project covered the fiscal years of 2011, 2012, 2013, and 2014. In the prior two audit reports, OSAI questioned costs related to the project due to lack of documentation, questionable bid practices, and a large amount of overcharges resulting from invoices submitted twice.

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.

As part of our examination, OSAI identified two vendors that repeatedly submitted multiple, altered versions of invoices, apparently at the request of the District 2 Commissioner, for the same work performed. OSAI interviewed employees of the businesses and reviewed email correspondence between the vendors and the District 2 Secretary at that time. We determined that vendors altered information and dates on invoices at the Commissioner's request.

As a result of submitting multiple copies of invoices, one vendor submitted two different invoices for the same road project resulting in an overpayment of \$9,495.68.

Cause of Condition: District 2 Commissioner did not have policies and procedures in place to accurately track expenditures charged to FEMA. District 2 Commissioner could not explain why multiple copies of invoices with altered dates were requested from vendors. District 2 Commissioner claimed that he thought he could change the scope of work originally approved by FEMA without seeking additional authorization.

Effect of Condition: These conditions resulted in the County being reimbursed for unauthorized work not previously approved by FEMA and resulted in a repeat finding of a vendor being overpaid for the

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same work. Additionally, these conditions resulted in a failure to fulfill federal compliance requirements regarding the accurate and complete documentation of federal expenditures.

Recommendation: OSAI recommends the County contact OEM and FEMA representatives to determine possible action regarding remediation of the apparently falsified and potentially fraudulent documents. OSAI further recommends the County implement policies and procedures for the accurate submission and ethical reporting of federal expenditures including documenting its compliance with grant requirements. The County should acquire the necessary training to fully understand federal compliance requirements. Ethical practices are a critical feature of internal controls and are crucial to communicating management expectations. Ethical behavior is a top-down policy encompassing all aspects of the workplace. Written procedures should be developed and implemented in an effort to remediate the current culture that exists.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: These actions involved District 2 Commissioner, Mike Helm and his staff without the knowledge of the District 1 Commissioner. Rogers County will implement procedures to ensure there are safeguards in place to prevent this occurrence from ever happening again.

Mike Helm, District 2 County Commissioner: We followed the path that was laid out to us by FEMA. I submit the following letter from the Director of Emergency Management, and the Accountant for Emergency Management.

Auditor Response: The documentation provided by District 2 Commissioner in response to this audit finding does not support the assertion “We followed the path that was laid out to us by FEMA.” OEM and FEMA both hold that federal funds may only be used “for projects on the list.” The finding clearly states that federal funds were requested from and provided by OEM for projects not approved as an Alternate Project under FEMA-1754-DR-OK. The management response from District 2 Commissioner is without merit and unsupported.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. When brought to my attention, Commissioner DeLozier and I took over District 2 Commissioners, Mike Helm’s finances.

Robin Anderson, County Clerk: I was not aware of any altered invoice, did not participate, and was not asked to participate concerning any altered invoice.

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

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

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

Subpart C—Auditees

§____.300 Auditee responsibilities.

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The auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding 2013-21 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Condition: During the audit period, 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.

Bid restricting is defined as narrowly writing bid specifications so as to solicit goods and/or services in a restrictive manner that includes a specific brand or a specific item that could only be supplied by one bidder. For example, specifications may require a contractor to submit a bid for a product with a name manufactured by a particular company. The intent is to create a sole source circumstance in order to exclude bidders of comparable products or materials.

During the audit period, the BOCC solicited bids for the specific product identified as ChipLock. By soliciting for a specific brand of material, the BOCC effectively restricted other vendors (competitors) from submitting bids. This practice stifles competitive bidding. Upon discussions with the Oklahoma Department of Transportation, it was determined that ChipLock is not considered a unique product and other similar products exist that would be considered equivalent.

On April 22, 2010, the company wrote a letter to the BOCC requesting that they be awarded sole-source status for its product, ChipLock, and MAQS-Micro-Surfacing. On May 10, 2010, the BOCC passed the motion to accept the bids from the company for ChipLock and Micro-surfacing “as the sole-source for this particular product.” Despite awarding sole-source status to the product, the BOCC continued to solicit bids for the company’s name brand product ChipLock. Consequently, no other vendors submitted bids for ChipLock although other vendors did submit bids for Micro-surfacing and the Board considered all bids. Regardless, Micro-surfacing was predominately requisitioned from this company who was also consistently the highest bidder.

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Other items noted related to showing preference to this vendor:

- This company did not submit a bid for road striping but was apparently permitted to perform striping on some road projects despite the County having awarded the bid on the striping project to a different company. The County paid this company without officially authorizing or awarding the striping portion of the road project to that company.
- During the period of July 1, 2010 through June 30, 2012, the County paid this company \$4,909,716.16 for various projects.
- During the period of July 1, 2012 through June 30, 2013, the County paid this company \$2,880,299.24 for various projects.
- During the period of July 1, 2013 through February 21, 2014, the County paid this company an additional \$295,595.72 for work performed.
- This company and its parent company each contributed \$1,000 to the re-election campaign for District 2 Commissioner for a total of \$2,000. This company is a corporation and according to state law, corporations are not allowed to contribute to campaigns. Further, \$1,000 is the maximum amount allowed by law for campaign contributions to a county official.
- District 2 Commissioner purportedly negotiated a lower amount for work performed by this company after accepting the higher bid on a project in which the company was not the lowest bidder. OSAI was unable to verify many of the company's invoices to bid amounts, due to negotiated amounts other than the official bid amount for this vendor.
- District 2 Commissioner apparently failed to maintain any supporting documentation other than invoices for the amounts billed by the company. The invoices retained were vague as to both the location and actual work performed. District 2 retained no bills of lading or records of daily quantities to support the invoiced amounts. OSAI contacted this company numerous times in an attempt to obtain additional documentation in support of submitted invoices, but the company refused to provide additional documentation.
- A non-collusion affidavit submitted by this company's employee was notarized by the District 2 secretary.
- On August 10, 2011, a representative of this company emailed Robin Anderson (Current Rogers County Clerk) the bid specifications for micro-surfacing which were then apparently used for bid solicitation purposes.

Cause of Condition: The Board circumvented the bidding process by soliciting bids for a brand name product.

Effect of Condition: The County did not comply with bid procedures outlined in state statutes.

Recommendation: OSAI recommends that the County research items that are to be purchased and make every effort to obtain the best price for the County. Bids should be solicited for a product, not a brand-name product specific to a single vendor. The County should follow purchasing procedures outlined in state statutes and refrain from conducting business in any manner that suggests preferential treatment for one vendor at the exclusion of all other vendors with similar products or materials.

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Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: District 1 follows all OSAI guidelines when constructing bid documents, giving equal opportunity to all vendors. Rogers County will institute a policy to review all bids and any item requesting to be labeled “sole source” will only be granted after close scrutiny.

Mike Helm, District 2 County Commissioner: District 2 used the Bid Process that these items were under the Bid Process under Chip Lock and Chip Seal. These items again were published under the bid process. (attachments provided)

Auditor Response: The matter as to whether the County inaccurately identified a vendor as sole source was addressed in a previous audit report. It is the position of OSAI the vendor in question does not satisfy the statutory requirements to qualify as sole source. Likewise, the Oklahoma Department of Transportation has determined these road surfacing components are not of unique quality and do not meet the definition of sole source. Additionally, the current assistant district attorney has advised the District 2 Commissioner to discontinue use of this vendor as a sole source for the same reasons noted above.

The focus of this finding is neither the vendor nor the quality of its product. The purpose for this recommendation is intended to assist the District 2 Commissioner in understanding that the lack of documentation maintained by District 2, its inability to verify whether the November 2012 project had, in fact, been constructed, and its failure to account for materials, if any, as actually being received by the County due to its practice of dating the receiving report the same date as the invoice results in a lack of reliability in its reporting and an inability to provide accountability which, in turn, places public confidence in jeopardy.

Kirt Thacker, District 3 County Commissioner: “The board,” did not circumvent the bid process; District 2 Commissioner circumvented the bid process.

Criteria: Best business practices would include following the competitive bidding process to ensure the taxpayers of the County receive the best value for their tax dollars.

Further, Title 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

Article 9 § 40 of the Oklahoma Constitution states, “No corporation organized or doing business in this State shall be permitted to influence elections or official duty by contributions of money or anything of value.” Oklahoma’s campaign-finance laws prohibit:

- Any corporation from making “a contribution or expenditure to, or for the benefit of, a candidate [...] in connection with an election”
- One “person or family” from contributing more than \$1,000 to a candidate for county office in any county other than Oklahoma, Tulsa, or Cleveland counties

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- Contributions from being made “through an intermediary or conduit for the purpose of [...] exceeding the contribution limitations”
- Candidates from “knowingly” accepting contributions in violation of the laws

Finding 2013-22 – No Verification of Road Construction/Materials Documented – Noncompliance with Purchasing Procedures Required by State Statute and Federal Compliance Requirements (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

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

QUESTIONED COSTS: \$-0-

Condition: During the period of July 1, 2010 through March 1, 2014, District 2 contracted with a general contractor for the purpose of providing road construction services and materials to the County in relation to FEMA funded projects. The work was performed prior to District 2 preparing a requisition for a purchase order. District records include an invoice dated after the work was completed, a receiving report executed and dated by the barn secretary to reflect the date of the invoice, and a purchase order requisitioned after the fact to initiate payment of the vendor. The funds were not encumbered prior to the beginning of the project.

District 2 provided no documentation to reflect the dates in which construction was performed by the general contractor. There were numerous purchase orders with dollar amounts ranging from \$6,000 to \$2.5 million. The supporting documentation that was available did not reflect the dates that work was performed; rather only the invoice date. District 2 Commissioner apparently 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. District 2 retained no bills of lading or records of daily quantities to support the invoiced amounts. OSAI contacted the general contractor numerous times in an effort to obtain additional documentation in support of submitted invoices but the company refused to provide additional documentation.

The Oklahoma Constitution prohibits indebting the County beyond the current fiscal year. The District 2 Commissioner, Mike Helm, failed to ensure that funds were available prior to commencing construction, because funds were not encumbered and set aside to ensure that expenditures did not exceed amounts available to spend.

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During a BOCC meeting dated October 22, 2012, the BOCC voted to suspend District 2 Commissioner's ability to requisition funds prior to contacting the Board. This action reportedly resulted from District 2 entering into agreements for road construction without first ensuring funds were available.

Further, because the barn secretary was dating the receiving report the same date reflected on the general contractor's invoices, there was no assurance that quantities billed by the general contractor were in fact what the County received. The work performed each day by the general contractor should have been documented by County personnel and compared to documentation submitted by the general contractor for payment to ensure that the County was only paying for work which had been performed.

Cause of Condition: The County failed to follow purchasing procedures outlined in state statutes. Internal controls were not designed and implemented to ensure that invoices billed to the County for road construction and materials were accurate and that the County properly received these goods/services.

Effect of Condition: These conditions resulted in accruing liabilities on behalf of the County without ensuring funds were available to meet the obligations. Further, because no one verified daily quantities of road construction materials and services provided, these conditions possibly resulted in the County paying for goods/services the County did not receive.

Recommendation: OSAI recommends that the County take measures to ensure payment for materials and services are accurately documented with detailed invoices, bills of lading, and evidence that county personnel verified the quantities of road construction materials and services on a daily basis.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: District 1's policy is to make certain all funds are properly encumbered prior to the services or items delivered.

Rogers County Commissioners in District 1 and 3 suspended the ability of District 2 Commissioner, Mike Helm to requisition funds, in an attempt to ensure that state statutes were followed and adequate funds were available.

Mike Helm, District 2 County Commissioner: I again submit the letter from the Director of Emergency Management. Following those items for the Improvement of 127 miles of Road which again we can drive the Roads and do Cross Section on all Roads under those 127 miles of Improvement for Rogers County District 2 Citizens. (attachments provided)

Auditor Response: The documentation provided by District 2 Commissioner in response to this audit finding does not provide any additional documentation to support the expenditures.

The focus of this finding is neither the vendor nor the quality of its product. The purpose for this recommendation is intended to assist the District 2 Commissioner in understanding that the lack of documentation maintained by District 2, its inability to verify whether the projects had, in fact, been constructed, and its failure to account for materials, if any, as actually being received by the County due to its practice of dating the receiving report the same date as the invoice results in a lack of reliability in

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its reporting and an inability to provide accountability which, in turn, places public confidence in jeopardy.

Kirt Thacker, District 3 County Commissioner: The BOCC as a whole was unaware of this. When brought to my attention, Commissioner DeLozier and I took over District 2 Commissioner, Mike Helm's finances.

Criteria: Federal OMB Circular A-133 requires grantees to implement internal controls over the expenditure of federal funds to ensure compliance with grant requirements. Regarding the procurement of goods/services, a grantee is required to implement procedures to ensure accurate documentation is available to support expenditures. This would include ensuring quantities invoiced by a vendor are accurate and are reconciled to amounts documented as received on a daily basis.

Further, Title 19 O.S. § 1505E outlines procedures required for the receiving agent to properly document expenditures of the County. This statute states in part, "The procedure for the receipt of items shall be as follows:

1. A receiving officer for the requesting department shall be responsible for receiving all items delivered to that department;
2. Upon the delivery of an item, the receiving officer shall determine if a purchase order exists for the item being delivered;
3. If no such purchase order has been provided, the receiving officer shall refuse delivery of the item;
4. If a purchase order is on file, the receiving officer shall obtain a delivery ticket, bill of lading, or other delivery document and compare it with the purchase order. If any item is back ordered, the back order and estimated date of delivery shall be noted in the receiving report;
5. The receiving officer shall complete a receiving report in quadruplicate which shall state the quantity and quality of goods delivered. The receiving report form shall be prescribed by the State Auditor and Inspector. The person delivering the goods shall acknowledge the delivery by signature, noting the date and time;
6. The receiving officer shall file the original receiving report and submit:
 - a. the original purchase order and a copy of the receiving report to the county purchasing agent, and
 - b. a copy of the receiving report with the delivery documentation to the county clerk."

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 2013-7 - Inadequate Internal Controls and Noncompliance Over Fixed Assets

Condition: Our audit of fixed asset items reflected the following:

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One SmartScouter surveillance camera, owned by the Sheriff's office, could not be located. The camera is used by Rogers County Sheriff's investigators for tracking and surveillance and the County subscribed to a wireless service for this device at \$179.88 annually from September 2012 through September 2013. The Sheriff stated this camera has been missing since July 14, 2011.

Cause of Condition: Procedures have not been designed and implemented by the County to perform a physical annual inventory of fixed items to ensure compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in inaccurate inventory records and misappropriation of assets.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1 by properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets to safeguard against misuse and loss.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Chairman DeLozier has placed on Monday, June 9th BOCC meeting agenda that Commissioner Thacker return camera to Sherriff.

Jon Sappington, Undersheriff: The camera was installed July 14, 2011 for an investigation on Commissioner Thacker. After the camera was installed he took possession of it and has kept it since. We have had some discussions in reference returning this device and as of today nothing has occurred. I believe it will take an act of the Board to transfer possession of this County property.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 2013-14 - Inadequate Internal Controls Over Court Clerk Receipts and Expenditures and Noncompliance with State Statute (Repeat Finding)

Condition: While gaining an understanding of the Court Clerk processes and testing Court Clerk expenditures for fiscal year ending June 30, 2013, we noted the following:

- All of the employees have access to the combination of the safe.
- One Court Clerk Revolving Fund claim was not approved by the Court Clerk. (i.e., signatures).
- The Revolving Fund Annual Report is not adequately reconciled.
- There is a variance of \$75.55 between the Treasurer's record of the Revolving Fund Disbursements and the Court Clerk's record of the Revolving Fund disbursements.

Cause of Condition: The Court Clerk does not limit who has access to the safe. Also, the Court Clerk does not have adequate procedures for the reconciliation of Court Clerk Revolving Fund to the Treasurer.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Adequate procedures have not been designed to ensure all Court Clerk Revolving Fund Claims are being approved in accordance with state statute.

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

Recommendation: OSAI recommends that only a limited amount of employees have access to the safe. State statutes should be followed regarding all disbursements from the Court Clerk Revolving Fund. Procedures should be put in place to ensure that a proper reconciliation between the Court Clerk's records and the Treasurer's records are being performed and reviewed by someone other than the preparer.

Management Response:
Kim Henry, Court Clerk:

Safe Access: The previous clerk allowed access to the safe by all employees. However, as previously stated in response, we changed this issue and we no longer allow access to the safe by anyone other than myself, First Deputy, and Supervisor. The new safe is locked by key and not combination and only the three of us have access to said keys.

Court Clerk Revolving Fund Claim: We did miss one claim and have taken measures to make sure this does not happen in the future. The only signature missing was my signature. It was signed off on by the Chief Judge at the time.

Revolving Fund Annual Report: The Administrative Office of the Courts does not require any Court Clerk to complete an annual report on the Revolving Fund. They require quarterly reports only and these are always balanced with the Treasurer and this is double checked by AOC as well.

Variance of Treasurer and Court Clerk Records: We balance quarterly with the Treasurer and have ALWAYS balanced since I have taken office. We check with the Treasurer and found the \$75.55 are most likely outstanding vouchers from the previous fiscal year that did not clear until this current fiscal year, and these were listed as outstanding vouchers on previous quarterly report.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements, signatures, safeguarding of assets and reconciliation.

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

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Finding 2013-15 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust and Sheriff Commissary (Repeat Finding)

Condition: An examination of the Inmate Trust Fund and Sheriff Commissary Fund reflected the following:

- There is an inadequate segregation of duties regarding the County Sheriff's Inmate Trust Fund. One employee has the duties of issuing receipts, delivering the deposit to the bank, and performing the reconciliation.
- The June 30th reconciliation of Inmate Trust Fund ledgers does not identify individual inmate funds.
- Disbursements from the Inmate Trust Fund are being made to other accounts besides the Sheriff Commissary Fund or as a refund to the inmate.
- The Annual Commissary Report did not contain beginning and ending balances.
- Transfers made to the Sheriff Commissary Fund, per bank statement, did not agree with the income stated on the Annual Commissary Report.
- The disbursement data that was provided to OSAI did not agree with the Annual Commissary Report.

Cause of Condition: Policies and procedures have not been designed regarding the Inmate Trust and Sheriff Commissary Funds.

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

Recommendation: OSAI recommends that key duties and responsibilities be segregated among different individuals to reduce the risk of error or fraud. OSAI also recommends that the Sheriff maintain Inmate Trust Fund monies in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. All checks from the Inmate Trust Fund should be signed and have two authorized signatures. The County Sheriff should comply with state statutes regarding the Sheriff Commissary Fund with the County Treasurer. The Sheriff should file a report of the commissary with the County Commissioners by January 15th, of each year.

Management Response:

Amanda McLemore – Lieutenant: Action has been taken to correct this for the future. The Inmate Trust Fund duties have been segregated. We will print the ledgers with each inmate's name and reconcile it to the Inmate Trust Fund at June 30th. The Commissary Clerk has been instructed that no check, from the Inmate Trust Fund will be cut to anyone other than the inmate or the Sheriff Commissary Fund. Furthermore, we will take corrective action to ensure all figures match on the Sheriff Commissary Report and present it to the Board of County Commissioners before January 15th of each year.

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Criteria: Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 180.43 E. and D. states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15th of each year.”

Title 19 O.S. § 531 (A) states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account”. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund.”

ROGERS COUNTY, OKLAHOMA
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Finding 2008-13 – FEMA – Schedule of Expenditures of Federal Awards

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: All

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678, DR-1712, DR-1735, DR-1754, and DR-1775

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

QUESTIONED COSTS: \$-0-

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

Status: Not Corrected.

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

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, Suspension and Debarment)

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

Status: Not Corrected.

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

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
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CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1678, DR-1712, DR-1735, DR-1754, and DR-1775

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

QUESTIONED COSTS: \$-0-

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

Status: Not Corrected.

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

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-1712, DR-1735, DR-1754, and DR-1775

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

QUESTIONED COSTS: \$-0-

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

Status: Not Corrected.

Finding 2012-8 – Schedule of Expenditures of Federal Awards (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

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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.

Finding 2012-9 – County Wide Controls Over Major 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

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

QUESTIONED COSTS: \$-0-

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

Status: Not Corrected.

Finding 2012-10 - Internal Controls Over Major 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

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-

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

Status: Not Corrected.

Finding 2012-16 – Overcharges and Fictitious Invoice Submitted for Federal Reimbursement (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 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: Not Corrected.

Finding 2012-17 – Questioned Costs Related to Federal FEMA Funds (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 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: OSAI tested all documentation available pertaining to expenditures reimbursed with federal funds for Project Worksheet 937 for Disaster 1754 and determined that \$5,524,225.35 was not

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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: Not corrected.

Finding 2012-18 – Advance of FEMA Funds for Equipment Lease-Purchased (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 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: Not corrected.

Finding 2012-19 – Apparent Waste of Federal Funds – Lowest Price Not Sought in Purchase of Drill Rig (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 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.

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Status: Not corrected.

Finding 2012-21 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Finding Summary: The County requested reimbursement from FEMA for consumable items charged to a project that were not properly bid. During the audit period, the BOCC solicited bids for the specific product identified as ChipLock. By soliciting for a specific brand of material, the BOCC effectively restricted other vendors (competitors) from submitting bids. This practice stifles competitive bidding. Upon discussions with the Oklahoma Department of Transportation, it was determined that ChipLock is not considered a unique product and other similar products exist that would be considered equivalent.

Status: Not corrected.

Finding 2012-22 – No Verification of Road Construction/Materials Documented – Noncompliance with Purchasing Procedures Required by State Statute and Federal Compliance Requirements (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

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

QUESTIONED COSTS: \$-0-

Finding Summary: During the period of July 1, 2010 through March 1, 2014, District 2 contracted with a general contractor for the purpose of providing road construction services and materials to the County in relation to FEMA funded projects. The work was performed prior to District 2 preparing a requisition for a purchase order. District records include an invoice dated after the work was completed, a receiving report executed and dated by the barn secretary to reflect the date of the invoice, and a purchase order

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requisitioned after the fact to initiate payment of the vendor. The funds were not encumbered prior to the beginning of the project.

Status: Not corrected.

Finding 2012-23 – Back-Dated Documents Submitted for FEMA Project - Engineering Services Not Competitively Considered (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 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: Not corrected.



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