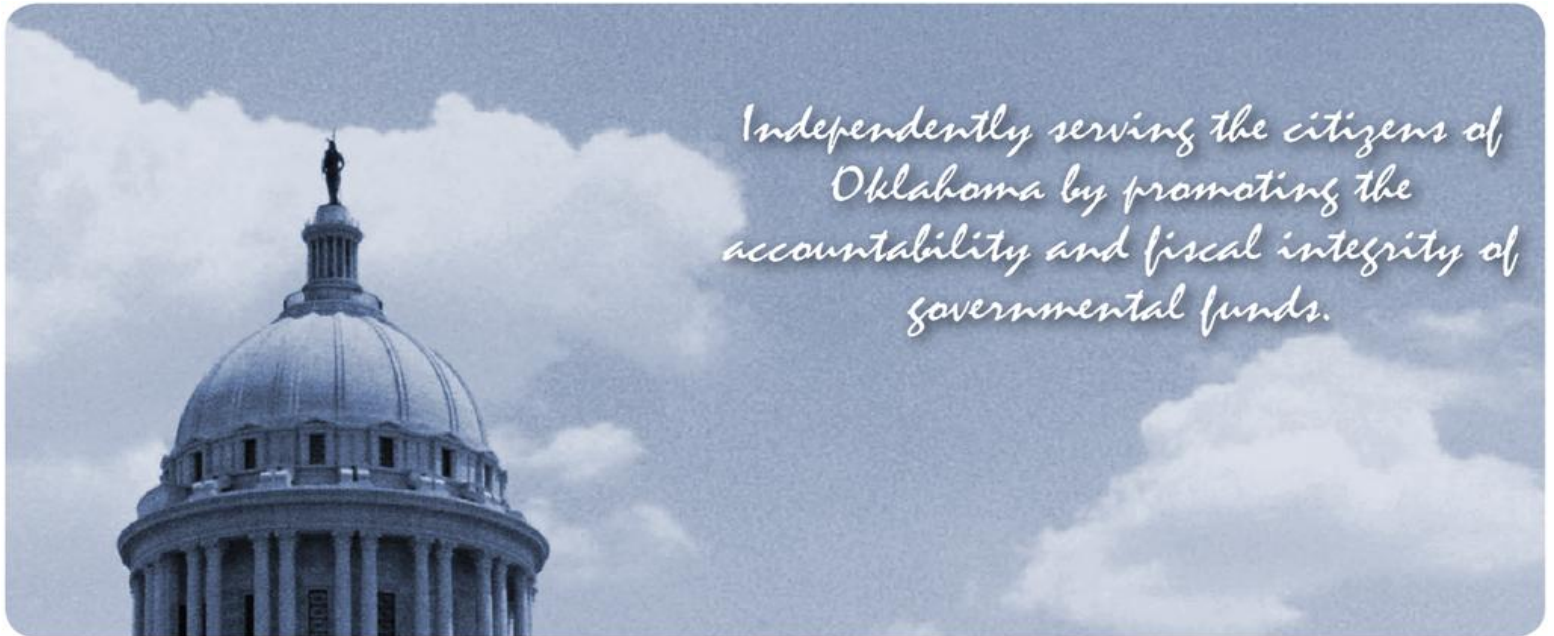


COUNTY AUDIT

ROGERS COUNTY

For the fiscal year ended June 30, 2014



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, 2014**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

March 29, 2017

TO THE CITIZENS OF
ROGERS COUNTY, OKLAHOMA

Transmitted herewith is the audit of Rogers County, Oklahoma for the fiscal year ended June 30, 2014. 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". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

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

**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

INTERNAL CONTROL AND COMPLIANCE SECTION

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ITEMS OF INTEREST

Footnote Section 3(D) – 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. 9)

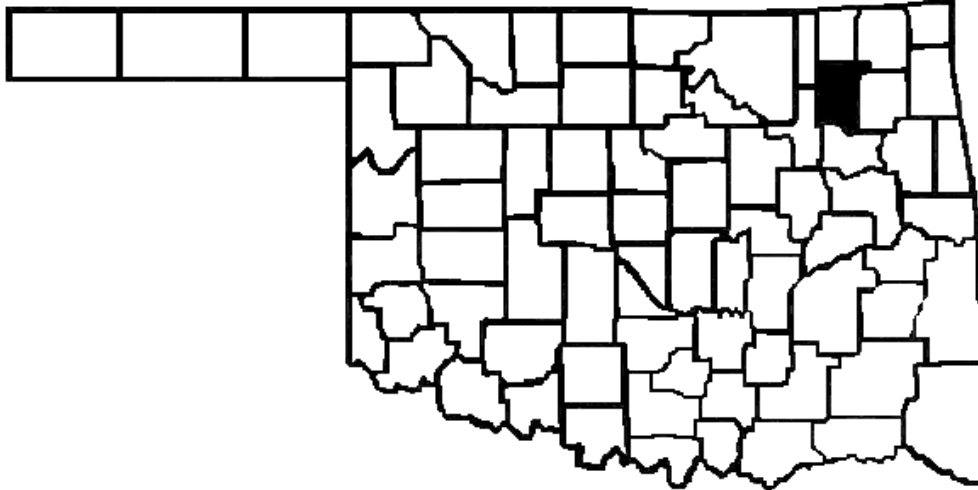
Finding 2014-5 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding): The County solicited bids for a trade name product of “ChipLock”, thus restricting bids to one vendor. The last bid accepted by the BOCC for this product was on June 5, 2014. (Pg. 44)

Finding 2014-10 – No Verification of Road Construction/Materials Documented – Noncompliance with Purchasing Procedures Required by State Statute and Federal Compliance Requirements (Repeat Finding): The District 2 Commissioner approved road projects with a vendor on projects without adequate documentation present to ensure daily quantities of road construction materials and services provided were accurate and complete. (Pg. 49)

Update of Prior Year Findings 2012-18 & 2012-19: While reviewing the corrected status of prior year findings, it was discovered that the vendor who received the bids noted in these findings provided out of state travel expenses to county personnel to view the equipment prior to the bid acceptance. The acceptance of the travel expenses were not discussed or approved in a meeting of the Board of County Commissioners. (Pg. 58)

INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - viii
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**ROGERS COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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, 2014**

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

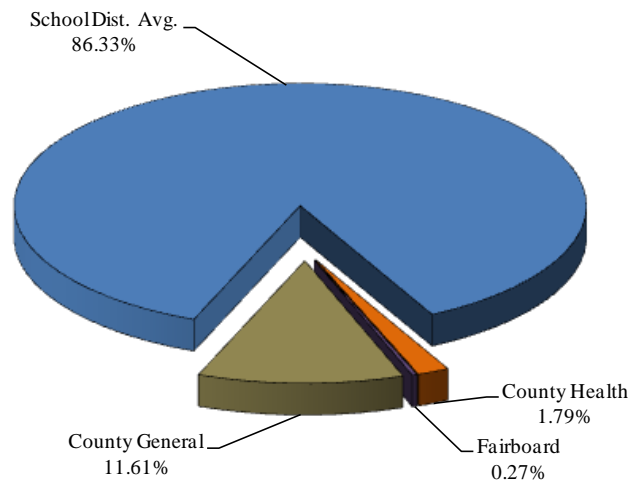
Kim Henry

District Attorney

Janice Steidley

**ROGERS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

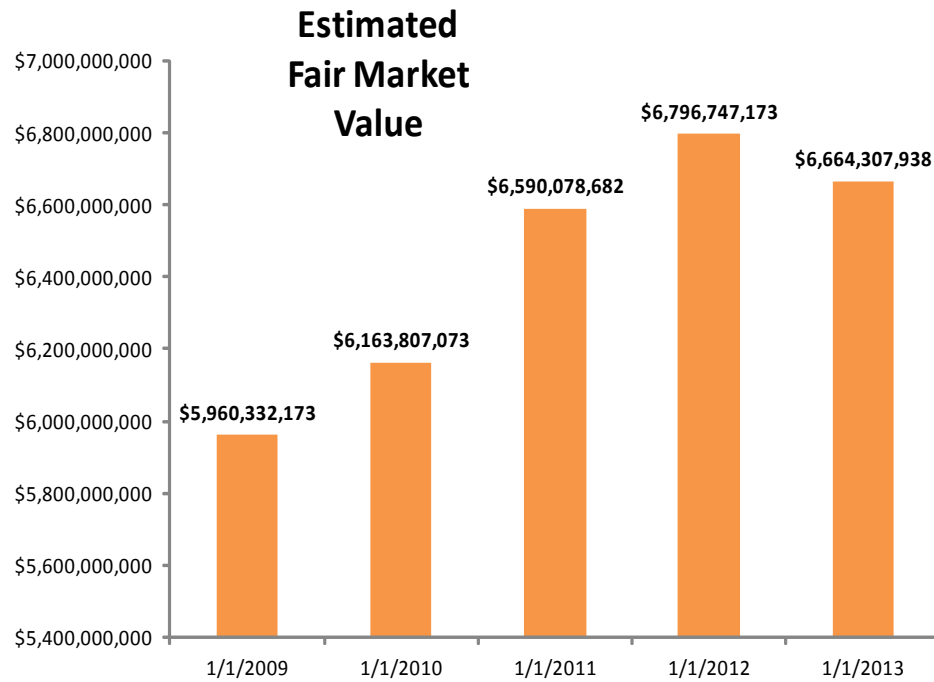
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.01								
County Health	1.54	Claremore	1	35.97	5.14	23.25	11.27	4.10	79.73
Fairboard	0.23	Catoosa	2	35.46	5.06	19.93	13.18	4.10	77.73
		Chelsea	3	36.51	5.22	19.84	11.27	4.10	76.94
Others		Oologah-Talala	4	35.38	5.05	11.85	11.27	4.10	67.65
Oologah/Talala EMS	3.70	Inola	5	36.33	5.19	15.56	11.27	4.10	72.45
Owasso City	0.56	Sequoyah	6	36.69	5.24	21.66	11.27	4.10	78.96
		Foyil	7	36.42	5.20	18.62	11.27	4.10	75.61
Fire Districts		Verdigris	8	35.65	5.09	16.49	11.27	4.10	72.60
Vertigris	10.30	Justus-Tiawah	9	36.48	5.21	18.27	11.27	4.10	75.33
Limestone	14.28	Owasso	21	36.81	5.26	24.46	11.27	4.10	81.90
Northwest	11.49	Collinsville	26	36.47	5.60	24.16	11.27	4.10	81.60
Foyil	15.91	Mayes	J-32	36.84	5.26	6.43	11.27	4.10	63.90
Tri-District	10.00								

**ROGERS COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

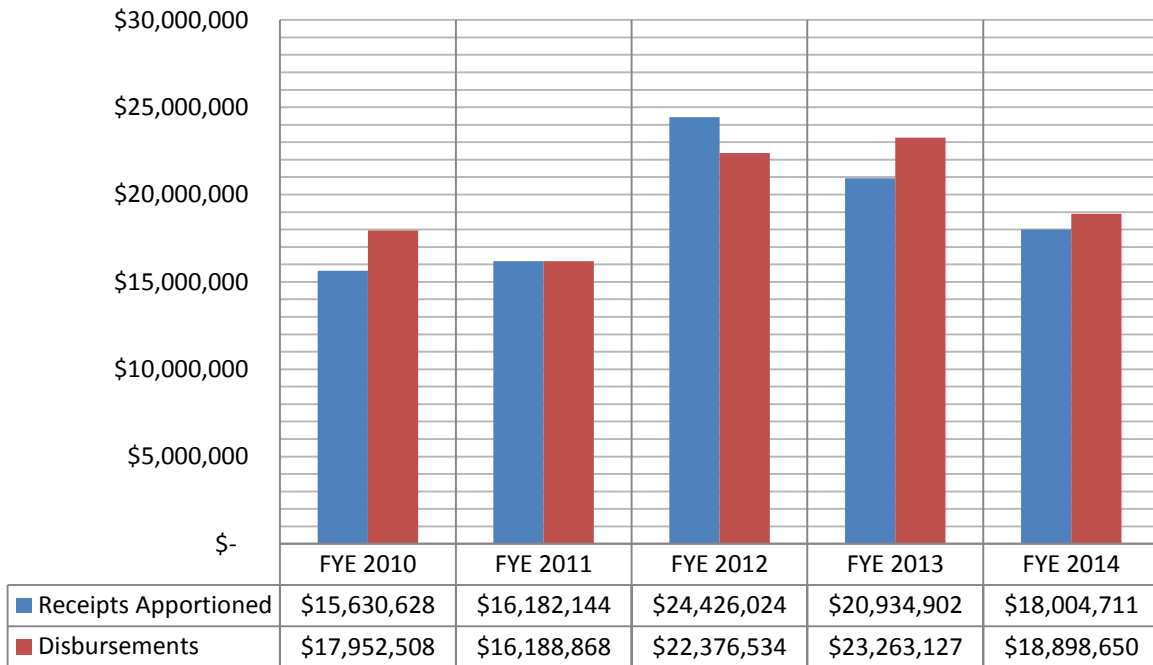
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$169,314,783	\$116,361,602	\$507,742,564	\$25,801,570	\$767,617,379	\$6,664,307,938
1/1/2012	\$167,887,408	\$120,042,208	\$484,721,394	\$25,008,821	\$747,642,189	\$6,796,747,173
1/1/2011	\$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



**ROGERS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

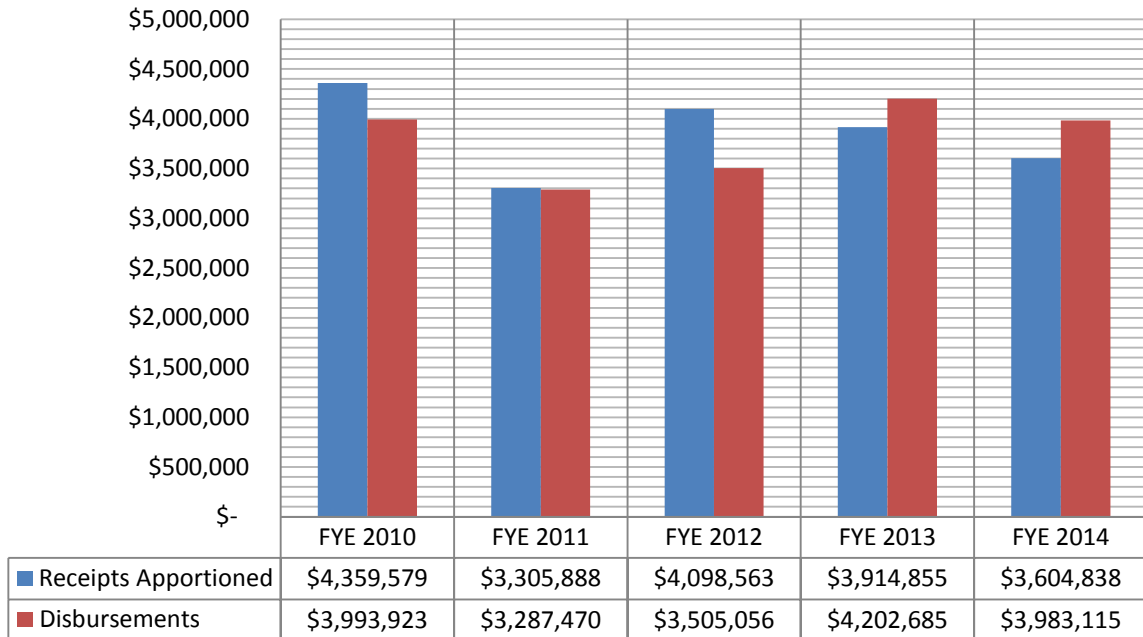
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2014**

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, 2014, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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 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, 2014, or changes in its financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Findings 2014-5 and 2014-10 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 General Fund that were reimbursed by the Federal program *Disaster Grants – Public Assistance*. The full effect of the misstatement in the financial statement cannot be quantified.

As referenced in Footnote Section 3K, two members of the County’s governing body, the Board of County Commissioners, who were in office during the audit period have had felony counts of Embezzlement and Conspiracy filed against them for actions taken against the County. One of these two Commissioners was suspended from office through the end of his term, January 1, 2017. The full quantitative impact of these matters to the financial statement cannot be quantified. However, the qualitative impact has been deemed substantial to the county as a whole as two-thirds of the governing body have been implicated in the noted charges.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters 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, 2014, 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*

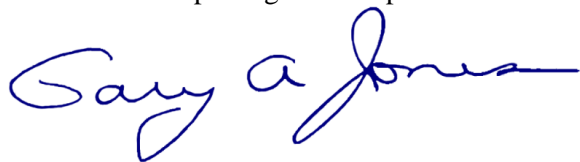
Non-Profit Organizations, and the remaining Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

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 March 27, 2017, 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, reading "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

March 27, 2017

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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 5,029,928	\$ 18,004,711	\$ 274,731	\$ -	\$ 18,898,650	\$ 4,410,720
T-Highway	1,670,016	3,604,838	-	-	3,983,115	1,291,739
County Health	1,696,805	1,203,911	-	-	1,500,494	1,400,222
Criminal Justice Authority	269,979	3,005,460	-	-	2,897,806	377,633
Use Tax	-	1,117,554	-	-	1,117,554	-
Sheriff Jail Account	2,799,821	2,922,605	-	-	2,747,710	2,974,716
Latshaw Use Tax	274,731	-	-	274,731	-	-
County Bridge and Road Improvement Fund (CBRIF)	670,526	541,797	-	-	12,370	1,199,953
New Courthouse Project	-	1,187,430	-	-	1,187,430	-
Material Service Lawsuit	-	2,372,485	-	-	2,372,485	-
Material Service 1/8th Sales Tax	-	524,748	-	-	524,748	-
Remaining Aggregate Funds	2,910,206	2,322,966	31,366	31,366	2,266,617	2,966,555
Combined Total - All County Funds, as Restated	\$ 15,322,012	\$ 36,808,505	\$ 306,097	\$ 306,097	\$ 37,508,979	\$ 14,621,538

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, 2014**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

B. Fund Accounting

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

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

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

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

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

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Latshaw Use Tax – accounts for use tax revenue from construction that was 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 – accounts for the collection of sales tax revenue and disbursement of funds as restricted by the sales tax ballot.

Material Service Lawsuit – accounts for the collection of sales tax revenue and disbursement of funds as restricted by the sales tax ballot.

Material Service 1/8th Sales Tax – accounts for the collection of sales tax revenue and disbursement of funds as restricted by the sales tax ballot.

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.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

D. Budget

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

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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.

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 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 2014, the County collected a total of \$2,897,233 in sales tax collections dedicated for the obligation for bonds issued to pay a judgment awarded against the County. This total was comprised of \$2,372,485 from the Material Service Lawsuit sales tax, and \$524,748 from the Material Service 1/8th sales tax. These funds were remitted to the Rogers County Finance Authority. There were no bonds retired during fiscal year 2014.

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>
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	1,025,000	1,142,558	2,167,558
2019 – 2023	5,520,000	5,309,440	10,829,440
2024 – 2028	6,445,000	4,377,869	10,822,869
2029 – 2033	7,910,000	2,913,225	10,823,225
2034 – 2036	<u>7,640,000</u>	<u>810,028</u>	<u>8,450,028</u>
Total	<u>\$32,375,000</u>	<u>\$19,375,252</u>	<u>\$51,750,252</u>

E. Sales Tax

Sales Tax of February 5, 2008

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 beginning October 1, 2008. Proceeds of the sales tax are to be used for the construction, operation, and

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

maintenance of the county road and bridge system. These funds are accounted for in the County General Fund.

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

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

Sales Tax of December 8, 2009

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

Sales Tax of June 26, 2012

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

Sales Tax of August 13, 2013

On August 13, 2013, Rogers County voters approved the renewal of a one-cent sales tax, which originally began on April 1, 1988. The sales tax was renewed for a period of five years. Proceeds of the sales tax are to be used for the construction, improvement, maintenance, and repair of County roads and bridges, and 12½% of the proceeds to pay the judgment in the

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Material Services Corporation case. These funds are accounted for in the Material Service 1/8 Sales Tax fund.

F. Interfund Transfers

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

- \$274,731 was transferred from the Latshaw Use Tax fund to County General Fund to close out the fund.
- \$31,366 was transferred from the Courthouse Bond Proceeds fund to the Fairboard fund (a trust and agency fund) to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$31,366 was transferred from the Fairboard fund (a trust and agency fund) to the Courthouse Bond Proceeds fund for repayment of the loan in accordance with 68 O.S. § 3021.

G. Sheriff's Jail Operating Expenditures Paid by the Rogers County Criminal Justice Authority

\$2,823,509 was transferred from Criminal Justice Authority fund to Sheriff Jail Account fund without statutory allowance. This transfer was based on the 1997 Operation, Maintenance, and Administration Agreement and 1997 Lease Agreement between the County and the Rogers County Criminal Justice Authority (RCCJA).

Per the Operation, Maintenance, and Administration Agreement, the Sheriff was to run the day to day operations of the jail and RCCJA was to use sales tax revenues to pay all the operations and maintenance expenses of the jail.

The Lease Agreement provided for the RCCJA to receive and administer 100% of the county sales tax revenues appointed for the purpose of acquiring a site and erecting, furnishing, equipping, operating, and maintaining a county jail to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County. However, this sales tax money was retained in the Criminal Justice Authority fund, a county sales tax revolving fund, and was never expended to RCCJA which resulted in a transfer of funds from one county fund to another county fund. This included \$2,823,509 in receipts apportioned to the Sheriff Jail Account fund and \$2,823,509 in disbursements to the Criminal Justice Authority fund.

H. Courthouse Bond Proceeds Funds Transferred to the County General Fund

\$670,000 was transferred from Courthouse Bond Proceeds fund to the County General Fund without statutory allowance. The origins of these collections were from excess sales and use tax returned to the County from the bank trust after current fiscal year payments were made. This

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

included \$670,000 in receipts apportioned to the County General Fund and a reduction of \$670,000 in receipts to the Courthouse Bond Proceeds.

I. Restatement of Prior Year Ending Balance

Due to the reclassification of funds, the ending balance as reported at June 30, 2013 is different than the July 1, 2013 beginning balance. The difference is due to:

- The Hazard Mitigation fund was re-classified as a county fund in 2014. This resulted in an increase in the balance of \$800.
- Emergency Transportation and Revolving (ETR) loans, trust and agency funds, were incorrectly included in the 1 Cent Sales Tax fund. This resulted in a decrease in the balance of \$250,000.

The combined restatement of the prior ending balance resulted in a decrease in the amount of \$249,200.

Prior Year Ending Balance, as Reported	\$15,571,212
Plus: Funds Reclassified as County Funds	800
Less: Funds Reclassified as Trust and Agency Funds	<u>(250,000)</u>
Prior Year Ending Balance, as Restated	<u>\$15,322,012</u>

J. Special Items

Although the period of availability for the alternate project (PW 937) of DR-1754 (CFDA #97.036) expired on December 5, 2013, the project has yet to be closed out and completed. Oklahoma Department of Emergency Management (OEM) has requested an after the fact approval by the Federal Emergency Management Agency (FEMA) for a change in the scope of work for PW 937 to reflect the work actually performed by Rogers County. As a result of this request, any remaining balance due to or owed by Rogers County on this project is undeterminable at this time.

K. Subsequent Events

On April 4, 2015, Kirk Thacker, District 3 Commissioner (through December 2014), was charged with one felony count of Embezzlement of County Property in violation of Title 21 O.S. § 1451 and one felony count of Embezzlement of County Equipment, Materials, and Labor with a value greater than \$1,000, in violation of Title 21 O.S. § 1451. These charges are included as part of case CF-2015-251 which is ongoing.

On July 17, 2015, Kirt Thacker and Mike Helm, District 2 Commissioner, were each charged with one felony count of Conspiracy to Defraud Rogers County in violation of Title 21 O.S. § 424. These charges are included as part of case CF-2015-431 which is ongoing.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

On July 17, 2015, Mike Helm was charged with one felony count of Embezzlement in violation of Title 21 O.S. § 1451(A)(B). This charge is included in case CF-2015-432 which is ongoing. On August 28, 2015, Mike Helm was charged with two felony counts of Embezzlement in violation of Title 21 O.S. § 1451(A)(B). These charges are included as part of case CF-2015-541 which is ongoing.

On August 28, 2015, an Accusation For Removal from office was filed on Mike Helm. This accusation is included in case CV-2015-100 which is ongoing. On September 8, 2015, Mike Helm was suspended from office.

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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 5,279,928	\$ 5,029,928	\$ (250,000)
Less: Adjustments Made in Prior Year	(33,752)	-	33,752
Less: Prior Year Outstanding Warrants	(329,703)	(329,703)	-
Less: Prior Year Encumbrances	(1,088,424)	(950,296)	138,128
Beginning Cash Balances, Budgetary Basis	3,828,049	3,749,929	(78,120)
Residual Transfer	-	274,731	274,731
Receipts:			
Ad Valorem Taxes	7,317,952	7,574,537	256,585
Charges for Services	617,392	682,161	64,769
Intergovernmental Revenues	1,000,248	1,728,170	727,922
Sales Tax	6,173,420	6,599,831	426,411
Miscellaneous Revenues	2,375,101	1,420,012	(955,089)
Total Receipts, Budgetary Basis	17,484,113	18,004,711	520,598
Expenditures:			
County Sheriff	2,472,058	2,462,446	9,612
County Treasurer	494,924	489,544	5,380
County Commissioners	58,835	50,008	8,827
OSU Extension	256,583	218,308	38,275
County Clerk	473,021	459,345	13,676
Court Clerk	485,003	463,504	21,499
County Assessor	347,821	332,395	15,426
Revaluation of Real Property	551,371	514,095	37,276
Human Resources	153,545	103,451	50,094
District Court	524,708	471,334	53,374
General Government	3,212,277	2,584,296	627,981
Excise-Equalization Board	6,100	3,288	2,812

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, 2014

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
County Election Board	298,934	297,983	951
Insurance - Benefits	1,602,160	1,550,261	51,899
Integrated Systems	90,695	85,885	4,810
Planning Commission	228,599	209,789	18,810
Charity	7,000	3,921	3,079
One Cent Sales Tax	8,704,671	7,232,503	1,472,168
One Cent FEMA Tax	9	-	9
Emergency Management	89,852	89,162	690
911 Dispatchers	391,237	363,927	27,310
General Highway	22,161	18,967	3,194
County Audit Budget	310,630	189,954	120,676
Cemetery Account	170,409	135,057	35,352
Maintenance Department	292,418	285,403	7,015
Addressing Account	57,141	50,581	6,560
Provision for Interest on Warrants	10,000	-	10,000
Total Expenditures, Budgetary Basis	<u>21,312,162</u>	<u>18,665,407</u>	<u>2,646,755</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	3,363,964	<u>\$ 3,363,964</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		464,492	
Add: Current Year Encumbrances		581,757	
Add: Estopped Warrants		507	
Ending Cash Balance		<u>\$ 4,410,720</u>	

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, 2014

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,696,805	\$ 1,696,805	\$ -
Less: Prior Year Outstanding Warrants	(165,329)	(165,329)	-
Less: Prior Year Encumbrances	(264,370)	(264,370)	-
Add: Lapsed Reserves	-	8,696	8,696
Beginning Cash Balances, Budgetary Basis	1,267,106	1,275,802	8,696
Receipts:			
Ad Valorem Taxes	1,074,665	1,165,314	90,649
Charges for Services	-	18,646	18,646
Intergovernmental Revenues	-	12,881	12,881
Miscellaneous Revenues	27,377	7,070	(20,307)
Total Receipts, Budgetary Basis	1,102,042	1,203,911	101,869
Expenditures:			
Health and Welfare	2,369,148	1,265,118	1,104,030
Total Expenditures, Budgetary Basis	2,369,148	1,265,118	1,104,030
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,214,595	\$ 1,214,595
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,176	
Add: Current Year Encumbrances		23,098	
Add: Current Year Outstanding Warrants		161,353	
Ending Cash Balance		\$ 1,400,222	

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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:						
Resale Property	\$ 699,166	\$ 549,308	\$ -	\$ -	\$ 496,989	\$ 751,485
Courthouse Bond Proceeds	595,836	12,599	31,366	31,366	38,442	569,993
Civil Defense/Emergency Management	26,464	38,816	-	-	8,681	56,599
Sheriff Drug Enforcement	2,235	-	-	-	690	1,545
Sheriff Civil Fee	169,002	248,934	-	-	322,790	95,146
County Clerk Lien Fee	16,588	27,351	-	-	10,619	33,320
Treasurer Mortgage Certification Fee	96,793	18,729	-	-	12,198	103,324
County Clerk Records Preservation	57,434	82,396	-	-	65,087	74,743
Planning Commission Engineering Fees	2,224	5,000	-	-	3,500	3,724
Sheriff Commissary	92,380	233,156	-	-	261,039	64,497
Sheriff Service Fees	61,248	51,294	-	-	90,585	21,957
Sheriff Courthouse Security	35,382	37,756	-	-	55,047	18,091
Attendant Care	2,505	-	-	-	-	2,505
Community Development Block Grant -						
Advanced Research Chemical, Inc.	80	499,950	-	-	499,950	80
Assessor Revolving	9,331	1,514	-	-	6,480	4,365
Sheriff Special Account	783	-	-	-	506	277
Oklahoma Highway Safety Grant	3,305	5,813	-	-	9,116	2
Wireless Prepay 911 Fee	83,005	52,949	-	-	9,529	126,425
Emergency 911	83,803	174,822	-	-	90,915	167,710
Cell Phone Usage	871,842	275,579	-	-	279,381	868,040
Hazard Mitigation	800	-	-	-	-	800
Oklahoma Bar Association Donations for Court Area	-	7,000	-	-	5,073	1,927
Combined Total - Remaining Aggregate Funds	\$ 2,910,206	\$ 2,322,966	\$ 31,366	\$ 31,366	\$ 2,266,617	\$ 2,966,555

ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the 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.

L. Remaining County Funds

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

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

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

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

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

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

County Clerk Lien Fee – accounts for lien filing fee collections. Disbursements are for any lawful expense of the County Clerk's office.

Treasurer Mortgage Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates. Disbursements are for any lawful expense of the Treasurer's office.

**ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Clerk Records Preservation – accounts for fees collected for instruments filed in the County Clerk’s office. Disbursements are for the maintenance and preservation of public records.

Planning Commission Engineering Fees – accounts for fees collected from building permits, licenses, and engineering fees. Disbursements are made back to individuals once projects are approved.

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

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

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

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

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

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

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

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

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

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 as restricted by state statute.

ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
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	B-08-DC-40-001	\$ 499,950
Total U.S. Department of Housing and Urban Development			<u>499,950</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	706,240
Emergency Management Performance Grants	97.042		9,042
Total U.S. Department of Federal Emergency Management			<u>715,282</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		724
Total U.S. Department of Interior			<u>724</u>
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
Passed Through the Oklahoma Highway Safety Office:			
State & Community Highway Safety	20.600		9,115
Total National Highway Traffic Safety Administration			<u>9,115</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,225,071</u></u>

ROGERS COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014, and the related notes to the financial statement, which collectively comprises Rogers County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 27, 2017.

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 did not provide adequate supporting documentation for expenditures of the General Fund.

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 responses to be material weaknesses: 2014-1, 2014-2, 2014-3, 2014-4, 2014-5, 2014-10, 2014-15, 2014-16, 2014-17, and 2014-18.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2014-11.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rogers County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-2 and 2014-17.

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

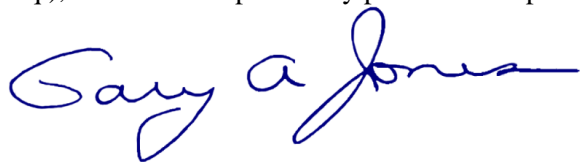
Rogers County's Responses to Findings

Rogers County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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

March 27, 2017



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report on Compliance 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 Program

We have audited the compliance of Rogers County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Rogers County's major federal programs for the year ended June 30, 2014. Rogers County's major federal programs are 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 programs are the responsibility of Rogers County's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Rogers County's compliance based on our audit.

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

Basis for Qualified Opinion on the Disaster Grants – Public Assistance

As described in the accompanying schedule of findings and questioned costs, Rogers County did not comply with requirements regarding the following:

Finding Number	CFDA Number	Program (or Cluster) Name	Compliance Requirements
2014-5	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Procurement and Suspension and Debarment
2014-10	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for Rogers County to comply with the requirements applicable to that program.

Qualified Opinion on Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In our opinion, except for the noncompliance described in the preceding paragraph, the County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

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

In our opinion, the County complied, in all material respects, with types of compliance requirements referred to above that could have a direct and material effect on the other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

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 2014-5, 2014-7, 2014-8, 2014-9, and 2014-10 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

March 27, 2017

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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:

Disaster Grants - Public Assistance (Presidentially Declared Disasters) Qualified

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

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)

14.228

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

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

Auditee qualified as low-risk auditee? No

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-1 – Inadequate Internal Controls and Noncompliance Within the Collection, Apportionment, and Cash Balances Processes of the County Treasurer’s Office (Repeat Finding)

Condition: During our review of the County’s collection and cash balance processes, the following was noted:

- One person in the County Treasurer's office was responsible for posting to the general ledger and reconciling the general bank account.
- There was no indication that monthly bank reconciliations were reviewed and approved by someone other than the preparer.
- Monthly bank reconciliations carried an unsupported reconciling item that varied from one month to the next.
- Four employees, other than the Treasurer, had control of the Treasurer’s signature stamp.
- In November 2013, the General Fund had a negative ending balance of \$387,263.96.
- During fiscal year 2014, the Fire Protection Districts did not receive their portion of the interest earned on the General bank account.
- 100% of collections obtained from the delinquent tax payment fee of 1.5% were remitted to the Fire Protection Districts instead of being apportioned to the Resale Property Fund.
- Ad valorem partial payment plan agreements were made with taxpayers for apparent hardships without regard of statutory requirements.

Cause of Condition: Policies and procedures have not been designed and implemented to separate key functions and processes among various employees in the office and to have levels of review over the processes performed to ensure compliance with statutes and an accurate and proper accounting of funds, and to ensure the physical safeguarding of signature stamps.

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

Recommendation: The Oklahoma State Auditor & Inspector’s office (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 a review of processes.

Additionally, management should take steps to ensure that reconciliations are reviewed and approved by someone other than the preparer, signature stamps are used by the person to whom it belongs, fund balances remain in the positive, and interest earned be split out accurately between all applicable

**ROGERS COUNTY, OKLAHOMA
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recipients. Furthermore, OSAI recommends management adhere to state statutes regarding the apportionment of penalties and fees on delinquent taxes and the receipt of ad valorem payments.

Management Response:

Jason Carini, Treasurer: All findings presented above occurred under the previous administration. Since coming into office in July 2015, I have set forth policies to prevent these findings from occurring and provide additional accountability within my office.

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 transactions to allow for the prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the recording and reconciliation processes should be adequately segregated, bank reconciliations should be reviewed for accuracy by someone other than the preparer and an indication of the review be noted, and signature stamps should be secured and used only by the owner.

Title 68 O.S. § 2913 (A)(2) states, “ If the first half of the taxes levied upon an ad valorem basis for any such fiscal year has been paid before the first day of January, the second half shall be paid before the first day of April thereafter and if not paid shall become delinquent on that date.

In no event may payment be made in more than two equal installments subject to the provisions of the payment schedule specified in this subsection.”

Title 68 O.S. § 2923 states, “At the end of each calendar month the county treasurer shall apportion all collections for said month, and distribute the same among the different funds to which they belong.”

Title 68 O.S. § 3137(A) states in part, “All penalties, interest and forfeitures which may accrue on delinquent ad valorem taxes, whether real or personal, tangible or intangible, on any properties, persons, firms or corporations within any county, city, town or school district within a county; the proceeds of sale of property acquired by the county at resale, the proceeds of leases, rentals and other royalties arising from the management, control and operation by the county commissioners of property acquired by the county at resale, when collected shall be credited to and accounted for in a special cash fund to be styled the "resale property fund" of such county...”

Finding 2014-2 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding)

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

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documentation to quantify the materials depicted on the invoice. The expenditures without sufficient documentation are as follows:

Fund	Purchase Order Number	Amount
District 2 1 Cent Sales Tax	000985	\$69,953.12
District 2 1 Cent Sales Tax	000986	\$75,189.08
District 2 1 Cent Sales Tax	000987	\$35,803.80
District 2 1 Cent Sales Tax	000988	\$11,816.72
District 2 1 Cent Sales Tax	000989	\$31,506.28
District 2 1 Cent Sales Tax	000990	\$15,038.40
District 2 1 Cent Sales Tax	000991	\$15,038.40
District 2 1 Cent Sales Tax	000992	\$15,038.40
District 2 1 Cent Sales Tax	002640	\$26,211.52
	Total	<u>\$295,595.72</u>

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure there is adequate segregation of duties over the disbursements process and compliance with state statutes governing purchasing procedures. Further, prior to May 2014, policies and procedures were not in place to ensure the BOCC Chairman's signature could not be utilized to sign warrants without his consent.

Effect of Condition: These conditions appear to have 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 policies and procedures to ensure compliance with all state purchasing guidelines. Additionally, OSAI recommends management determine if duties can be properly segregated. In the event that segregation of duties is not possible, due to limited personnel, compensating controls should be implemented to mitigate the risks involved with a concentration of duties. OSAI also recommends that officials who utilize electronic signature stamps to sign warrants, should ensure access to software programs is adequately safeguarded from unauthorized use.

Management Response:

Robin Anderson, County Clerk: On September 13 2013, we implemented a process of setting procedures in place to follow the segregation of duties in compliance with state statute. This was approved by the Auditor's office prior to implementation. The Chairman's signature was removed from

**ROGERS COUNTY, OKLAHOMA
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the signature block in May 2014. There also has been a change in the purchasing agent and she strives to adhere to the correct procedures.

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: In September 2013, Rogers County Clerk's Office implemented a process of setting procedures in place to follow the segregation of duties in compliance with the Oklahoma state statutes, which was approved by the Auditor's office prior to implementation. Also, there has been a change with a new Purchasing Agent for Rogers County, and she strives to adhere to the correct and proper procedures.

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

Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Finding 2014-3 – Inadequate County-Wide Controls (Repeat Finding)

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

However, it should be noted that beginning in fiscal year 2015 monthly staff meetings have been held between the various County-wide offices. These meetings have addressed some risk management and monitoring aspects, but to date they do not appear to ensure a review of the annual financial statement or Schedule of Expenditures of Federal Awards (SEFA) for accuracy and completeness, to ensure audit findings are corrected, or to address risks like that of fraudulent activity, and noncompliance with laws.

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

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

Recommendation: OSAI recommends that the County design and implement policies and 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.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County will take corrective action to develop policies and procedures that will identify and address possible risks with

ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

respect to risk management and monitoring, such as the County will ensure that all elected officials and/or their first deputies attend monthly courthouse staff meetings to discuss and review financial statements and the Schedule of Expenditures of Federal Awards (SEFA) for accuracy and completeness. The monthly courthouse staff meeting will be scheduled on the first Tuesday of every month.

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 met. 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, Information and Communication, Risk Assessment, 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.

Information and Communication are vital components for an entity to achieve its objectives through the use of quality information to support the internal control system. Such quality information should be comprised of the information received from and the control structures surrounding both IT and manual systems for financial reporting purposes. Further, the entity should effectively communicate financial reporting roles and responsibilities concerning all financial reporting matters.

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.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2014-4 – Disaster Recovery Plan and Computer Usage (Repeat Finding)

Condition: Upon inquiry and a review of the Disaster Recovery Plans (DRP) at the county, the following offices did not have a DRP for the entirety of the fiscal year:

- County Treasurer (Implemented Disaster Recovery Plan on June 7, 2014).
- County Clerk (Implemented Disaster Recovery Plan on April 11, 2014).
- County Sheriff (Implemented Disaster Recovery Plan on June 19, 2014).

Upon review of the computer systems within the County Treasurer's office, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

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

Cause of Condition: Until June 2014, policies and procedures had not been designed to develop and implement a DRP in all relevant County offices. In addition, policies and procedures have not been designed and implemented to ensure security for the appropriate use of County computer equipment and email record maintenance and retention.

Effect of Condition: The failure to have a formal DRP 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. Additionally, security for computers, computer programs, and data could be compromised.

Recommendation: OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation has been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

Management Response:

Robin Anderson, County Clerk: During the month of April 2013, we moved from the old courthouse to the new courthouse. We were busy trying to move and organize over a hundred years of documents and books, and still operate our office's daily procedures at the same time. There was a plan in place, it just needed to be updated. We updated April 11, 2014.

Jon Sappington, Undersheriff: This was brought to our attention during the 2012 and 2013 audits, and upon discussion of this a system was developed and put in place during the 2014 year. We currently have a Disaster Recovery Plan in place.

Jason Carini, County Treasurer: The findings presented above occurred under the previous administration. The DRP was updated after I came into office (the office hard copy was missing and digital copy deleted off the computer, but we were able to re-create the document from another source).

**ROGERS COUNTY, OKLAHOMA
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On the first day of my term, I took the necessary steps to ensure the security for computers, computer programs, and data.

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County BOCC will work closely with their IT director to come up with viable solutions to resolve any security management issues and implement an adequate DRP in all relevant County offices.

Criteria: An important aspect of internal control 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. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4):

- Management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.
- The need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2014-5 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding)

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

Finding 2014-10 – 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.

Finding 2014-11 – Inadequate Internal Controls and Noncompliance Over the Creation of the Fair Oaks Fire Protection District

Condition: On November 6, 2012, the Fair Oaks Fire Protection District (Fire District) was established by a vote of the people. Title 19 O.S. § 901.4 requires the Board of County Commissioners to "declare

**ROGERS COUNTY, OKLAHOMA
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such territory duly organized as a fire protection district" and to file such order with the County Clerk. However, the legal land description was not filed with the County Clerk until January 23, 2014, resulting in the Fire District not being listed on the 2013 certified tax levies.

Additionally, it was noted that expenses related to the publication and election for the Fire District were paid for by an adjacent fire protection district located in a neighboring county.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all relevant documents are filed in a timely and correct manner so that any newly created Fire Protection Districts or other political subdivisions receive the funding they should be due. Additionally, policies and procedures have not been designed and implemented to ensure all statutory requirements are followed concerning the petition process for creating a Fire Protection District including the existence of a surety bond for the payment of publication and election related expenses.

Effect of Condition: These conditions resulted in noncompliance with state statute as the District did not receive Ad Valorem property taxes for the 2013 tax year, and this resulted in a political subdivision from a different county paying for election related expenses.

Recommendation: OSAI recommends management ensure that all required filings, for any entries created by a vote of the people, be recorded in a timely manner, be complete, and be made in accordance with applicable statutes.

Management Response:

Robin Anderson, County Clerk: I was not County Clerk in 2012 and apparently the Fair Oaks Fire Protection District did not file their order with the previous County Clerk. Since I did not work in this office at that time, I had no way of knowing that. Fair Oaks branched off from Oak Grove Fire Department which was in another county. Again, this happened in 2012 before I became County Clerk in 2013. When the officials of Fair Oaks Fire Protection District discovered they had not filed their paperwork, they apologized that they had dropped the ball and were not made aware of this by the previous administration. Not being in office at that time the fire district was formed, I am unsure if the assessor had worked with them on legal land descriptions. The Fair Oaks Fire Protection District was still trying to get everything established. As the statute states, this is not the responsibility of the county clerk, but the board of county commissioners. I also was not County Clerk when the election took place. That was before my tenure.

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: When this was brought to the attention of the BOCC, we acted to file all relevant documents with the County Clerk, and the Fire District has been on the tax levies ever since.

Criteria: Accountability and stewardship should be overall goals in management's accounting of county funds. Internal controls should be designed to ensure compliance with applicable laws and regulations for the creation and implementation of political subdivisions.

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Title 19 O.S. § 901.4 states in part, “If, upon such canvass, it appears that at least three-fifths (3/5) of all the votes cast are "Fire Protection District - Yes", the board shall, by order declare such territory duly organized as a fire protection district under the name theretofore designated. Such order shall be filed for record in the office of the county clerk by the board of county commissioners and from that date such district shall be complete.”

Title 19 O.S. § 901.2 states in part, “The petitioners shall accompany such petition with a good and sufficient bond, the amount and sureties of which shall be approved by the board of county commissioners, the sum of which is sufficient to cover the costs of the publications and of the election for the organization of the district will be paid in the event that such organization shall not be authorized or effected.”

Finding 2014-15 – Inadequate Segregation of Duties Over the Payroll Process (Repeat Finding)

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

Cause of Condition: Policies and procedures have not been designed and implemented with regards to segregation of duties and/or compensating controls over the payroll process.

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

Recommendation: OSAI recommends management design and implement policies and procedures to sufficiently segregate the payroll process. Such a segregation of duties could consist of assigning certain aspects of the process to a different employee, or even assigning and documenting levels of review throughout the payroll process. 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. Specifically, one individual should not be involved in all aspects of the payroll process without layers of review.

Management Response:

Robin Anderson, County Clerk: We added an additional employee in the payroll/benefits department in August 2015 after the Human Resources Director, a Board of County Commissioners’ employee, was terminated. That allowed us to segregate the payroll process as we now have a different person enrolling new employees other than the employee that reviews the payroll claims. Also, a different person removes the terminated employees from the master list.

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

Finding 2014-16 – Inadequate Internal Controls Over Bid Term Reviews

Condition: As discussed in the finding 2014-5, entitled *Bid Restricting – Preference Shown to Vendor*, (as found in Section 3), Rogers County bid for a name brand product “ChipLock”. The bid terms for ChipLock included an application rate guideline of ChipLock gallons per square yard applied as follows:

Surface Type	ChipLock Gallons Per Square Yard (Yd ²)
Smooth	0.10 – 0.20
Rough	0.15 – 0.30

A review of the ChipLock related expenditures for the fiscal year noted the exact same application rate of 0.308 gallons per square yard for all roads treated regardless of the road surface. The following eight (8) purchase orders depict specific gallon application information:

Purchase Order Number	Yd ² Work Performed	Gallons Applied	Gallons to Yd ²
985	57,310	17,676	0.308
986	61,600	18,999	0.308
987	29,333	9,047	0.308
988	9,680	2,986	0.308
989	25,813	7,961	0.308
990	12,320	3,800	0.308
991	12,320	3,800	0.308
992	12,320	3,800	0.308

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that vendors adhere to bid terms, invoices detail exact work performed, and invoices are reviewed for compliance with bid terms prior to payment.

Effect of Condition: Not reviewing invoices against bid terms resulted in the County paying for ChipLock materials in excess of the maximum application rate as depicted by the bid, and it could have resulted in the County paying for incomplete work or for work in excess of the bid agreement.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure vendors adhere to bid specifications, invoices include adequate information to determine the exact

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work/materials obtained, and invoices are reviewed for compliance with bid terms to ensure the County is receiving the materials/items for funds disbursed.

Management Response:

Robin Anderson, County Clerk: There has been a change in the Purchasing Agent and she strives to adhere to the correct procedures.

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: The District 2 County Commissioner was removed from office and is currently under indictment in the District Court of Rogers County. As Chairman, Rogers County follows all OSAI guidelines when constructing bid documents, giving equal opportunity to all vendors, but to further protect the competitive bidding process, the County will implement policies and procedures to thoroughly review all bids ensuring that vendors adhere and comply with all bid terms.

Criteria: An important aspect of internal control is the safeguarding of assets, including the determination that expenditures are made in compliance with bid terms. 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.

Finding 2014-17 – Inadequate Internal Controls and Noncompliance Over County Sales and Use Tax

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

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

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maintaining a county jail to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County is not renewed on an annual basis.

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

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with AG Opinions, Title 68 O.S. § 1370E, and 68 O.S. § 3021. Further, procedures have not been designed and implemented to ensure contracts between Rogers County Criminal Justice Authority and Rogers County are properly and timely executed to fulfill the requirements of operating the Jail.

Effect of Condition: These conditions resulted in noncompliance with state statutes and AG opinions, the Trust Indenture of the RCCJA, and transactions between RCCJA and Rogers County being recorded on the County's financial records in a manner to imply the transactions were not between the two entities but rather between individual County funds only. Additionally, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and the misappropriation of funds.

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

OSAI further recommends that Rogers County and the RCCJA review the initial contracts and their individual obligations regarding the operation and funding of the jail. This could include the development and approval of an annual agreement between the two entities specifying each party's contractual requirements for the operations of the jail.

Management Response:

BOCC Chairman: Rogers County BOCC will create a new and separate fund account just for the Rogers County Criminal Justice Authority (RCCJA) and implement adequate policies and procedures to ensure compliance with 68 O.S. § 3021.

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County Treasurer: The actions resulting in these findings occurred under the previous administration. I have added additional procedures within the operations of my office to ensure sales tax collection are apportioned correctly and bond payments are made in the correct amount and in a timely manner.

County Clerk: I did not take office until 2013 so, with regards to the issue with the Criminal Justice Authority Sales Tax of 2010 and the agreement between the County and RCCJA regarding the collections and expenditures of this sales tax being in place, I would have no control. Since we have been made aware, we have contacted the previous attorney for the RCCJA and he has helped us acquire the agreement. We will inquire of the current attorney to have him prepare an agreement, if so necessary. The authority is going to have a resolution setting the amount of the jail budget. Then a purchase order can be made from the trust fund and deposited into the jail fund. There will also be a purchase order moving money from the Criminal Justice Authority fund (county) to be deposited into the Criminal Justice Authority trust fund. Purchase orders will be the method of moving the money from the trust fund to the jail fund going forward. This finding could have easily been avoided had we received the proper guidance as we had requested.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, policies should be developed to adequately account for transactions between the County and any component units.

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

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

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; *Cavin v. Bd. of County Comm'rs*, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.

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

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Finding 2014-18 – Solicitation and Acceptance of Bids Do Not Appear to Comply with State Statutes (Repeat Finding)

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

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

Cause of Condition: For the first half of the fiscal year, 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 these bids for goods and/or services.

For the entire fiscal year, the County did not ensure compliance between the various requirements of the Title 19 purchasing statutes and the PCBA as found in Title 61.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the solicitation and awarding of bids.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure that bids are solicited and awarded in accordance with all applicable statutes.

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Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County BOCC makes every effort to comply with the competitive bidding requirements of the purchasing statutes, but to further protect the competitive bidding process, we will work closely with our Purchasing Agent and District Attorney to correct issues mentioned above.

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

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.”

Title 61 O.S. § 103-138 outlines the various requirements for all public construction, road construction projects, and applies to any repairs or construction of public buildings.

SECTION 3—Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Finding 2014-5 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. 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)

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from submitting bids. Although bid packets were sent to several vendors for the opportunity to bid on ChipLock, the County only received bids from the one company who holds the trade name of ChipLock. Further, 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.

The exit conference for the 2013 Rogers County Financial Report was held on June 5, 2014, and during this conference OSAI discussed this same matter of restrictive bidding with the members of the BOCC and a Rogers County Assistance District Attorney. However, the following Monday on June 9, 2014, the BOCC opened bids for ChipLock, and the bid was awarded to the same trade name holding vendor as they were the sole bidder.

Other items noted related to ChipLock and the associated vendor includes:

- During the period of July 1, 2013 through June 30, 2014, the County paid this company \$295,595.72 for various projects.
- The 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 several times in an effort to obtain additional documentation in support of the submitted invoices, but the company did not provide any additional documentation.

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

Effect of Condition: These conditions resulted in noncompliance with 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 other vendors with similar products or materials.

Management Response:

Robin Anderson, County Clerk: The County Clerk's office continues to make recommendations to the BOCC. However the BOCC makes the decision of who is awarded the bid.

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: The District 2 County Commissioner was removed from office and is currently under indictment in the District Court of Rogers County. As Chairman, Rogers County follows all OSAI guidelines when constructing bid documents, giving equal opportunity to all vendors, but to further protect the competitive bidding process, we will institute a policy to thoroughly review all bids. Any items requesting to be labeled "sole source" will only be granted after close scrutiny and consultation with our legal advisors.

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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.”

Title 74 O.S. § 85.45j outlines the procedures and requirements needed to requisition for products or services based on a sole source contract.

Finding 2014-7 – 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: Policies and procedures have not been designed and implemented by the County to establish a uniform recording system of federal revenues and expenditures and to ensure required reporting of federal revenues and expenditures are presented accurately and prepared in a timely manner.

Effect of Condition: These conditions resulted in noncompliance with OMB A-133 Compliance supplement Subpart C, §__ .300 (b)(d) and the inaccurate and untimely preparation of the SEFA.

Recommendation: OSAI recommends the County design and implement a policy for handling all federal grants awarded to the County. This policy should incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the SEFA be reconciled to the County’s accounting records.

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Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County will take corrective action along with their CPA to implement internal controls for monitoring and reporting all information pertaining to Federal funds as required by OMB Circular A-133. Rogers County will also request that their CPA design an accounting system and/or year-end process to accumulate and report its “in-kind” labor and equipment charges reported on the Schedule of Expenditures of Federal Awards (SEFA).

Criteria: *OMB A-133, Subpart C, §___.300(b)(d)* 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.

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

Finding 2014-8 – Inadequate County-Wide Controls Over Major Federal Programs (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. 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; Matching, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

It should be noted that beginning in fiscal year 2015 monthly staff meetings were held between the various county-wide offices. These meetings addressed some Risk Assessment and Monitoring aspects, but to date they do not appear to ensure a review of the annual financial statement or Schedule of

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Expenditures of Federal Awards (SEFA) for accuracy and completeness, to ensure audit findings are corrected, or to address risks like that of fraudulent activity and noncompliance with applicable laws.

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

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

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

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County will take corrective action to implement proper procedures to ensure that the County is in compliance with grant requirements.

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 met. 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, Information and Communication, and Monitoring for the achievement of these goals.

Finding 2014-9 – Inadequate Internal Controls Over Major Federal Programs – FEMA (Repeat Finding)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: U.S. 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-

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; and Special Tests and Provisions.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with OMB A-133.

Effect of Condition: This condition resulted in noncompliance with 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: Action has been taken by Rogers County gaining a better understanding of the requirements for these programs and implementing internal controls to ensure compliance with the requirements.

Criteria: *OMB A-133, Subpart C, §____.300(b)* 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.

Finding 2014-10 – 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: U.S. 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

QUESTIONED COSTS: \$-0-

Condition: Rogers County District 2 provided no documentation to reflect the dates in which construction was performed by the general contractor. The supporting documentation that was available

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

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 as outlined in state statutes, and 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 for which it was billed.

Effect of Condition: This condition resulted in a lack of compliance with state statute and could result in the County paying for goods/services that were not received.

Recommendation: OSAI recommends that the County take measures to ensure documentation is prepared and maintained to accurately support payment for materials and services. Documentation should include but is not limited to detailed invoices, bills of lading, and documents that include evidence that county personnel verified the quantities of road construction materials and services charged to the County on a daily basis.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: The District 2 County Commissioner was removed from office and is currently under indictment in the District Court of Rogers County. Starting January 1, 2017, a new Commissioner for District 2 will take office, and we will strongly encourage him to adhere to the proper purchasing procedures.

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.

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Title 19 O.S. § 1505E states, “E. 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 2014-14 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- There is an inadequate segregation of duties regarding the Inmate Trust Fund Checking Account. One employee can create the deposit, deposit money at the bank, perform the bank reconciliation, and record the deductions to the inmate accounts for the purchase of items.
- No documentation was retained to indicate monthly bank reconciliations were performed on the Inmate Trust Fund Checking Account for fiscal year 2014.
- Inmate Trust Fund Checking Account receipts were not clearly marked for the purpose of the Inmate Trust Fund Checking Account.
- Inmate Trust Fund Checking Account receipts for the period of March 14, 2014 to May 2, 2014 could not be located.
- Disbursements from the Inmate Trust Fund Checking Account were issued to the Sheriff Jail fund and to the Rogers County Court Clerk, which are not allowed by state statutes.

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- Two signatures are required on the checks issued from the Inmate Trust Fund Checking Account. However, the same individual signed both their name and the Sheriff's name as the required signatures.
- An annual commissary report was not submitted and approved by the BOCC in accordance with state statute.
- Inventory records were not maintained for commissary items bought and sold directly by the Sheriff's office.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

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

Recommendation: OSAI recommends the following:

- The Sheriff implement compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.
- Bank reconciliations should be performed on the Inmate Trust Fund Checking Account on a monthly basis, be reviewed and approved by someone other than the preparer, and denote indication of review.
- Monthly bank reconciliations should be performed on the Inmate Trust Fund Checking Account and these reconciliations should be reviewed and approved by someone other than the preparer.
- Inmate Trust Fund receipts should be clearly marked for the purpose of the Inmate Trust Funds and should be retained as required by state statute.
- Disbursements from the Inmate Trust Fund Checking Account should only be issued to the Sheriff's Commissary Account and to the inmates in accordance with 19 O.S. § 531.A.
- All checks issued from the Inmate Trust Fund Checking Account should be signed by two individual authorized signers.
- The Sheriff should prepare and file an annual commissary report with the Board of County Commissioners by January 15th, of each year. Financial information recorded on this report should agree to underlying accounting records.
- Inventory records should be maintained for any commissary items bought and sold directly by the Sheriff's office.

Management Response:

Jon Sappington, Undersheriff: This was a result of turnover and lack of procedural policies in place to correct it. We are currently reviewing these items and are striving to have them resolved prior to the next year's audit.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Criteria: The overall goal of effective internal control is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. Bank reconciliations should be performed monthly, be reviewed and approved by someone other than the preparer, and show an indication of such review. Check signers should only sign their name and not that of another individual.

Additionally, adequate internal controls include procedures designed to ensure that the Sheriff Commissary Fund records and Inmate Trust Fund Checking Account records comply with state statutes.

Title 19 O.S. § 180.43 provides guidance in accounting for inmate trust monies deposited and expended from the Inmate Trust Fund Checking Account.

Title 19 O.S. § 180.43D requires that an annual report of the Sheriff's Commissary be submitted to the Board of County Commissioners no later than January 15th of each year.

Schedule of Prior Year Findings and Questioned Costs

ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 and 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

ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 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 Assessment, and Monitoring have not been designed.

Status: Not Corrected.

Finding 2012-8 – Schedule of Expenditures of Federal Awards

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

QUESTIONED COSTS: \$-0-

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

Status: Not Corrected.

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 Assessment, 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-

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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 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.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Status: Not corrected.

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

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

CONTROL CATEGORY: Allowable Costs/Cost Principles; Cash Management

QUESTIONED COSTS: \$-0-

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

Status: Not corrected. During fieldwork on the current audit period it was noted that the vendor who received the bid on the Drilling Rig and the Mauldin Oil Truck (both were lease-purchased) provided out of state travel expenses to county personnel to view these items prior to the acceptance of the bids. These vendor paid trips were not noted as part of the BOCC meeting minutes. The specifics of these trips have been forwarded to the District Attorney.

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

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

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

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Status: Not corrected. As depicted on the “Status” of 2012-18, the purchase of the drilling rig included out of state travel expenses which were provided by the vendor so that county personnel could view the equipment. The acceptance of the travel expenses were not discussed or approved in a meeting of the Board of County Commissioners.

Finding 2012-21 – Bid-Restricting – Preference Shown to Vendor

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: DR-1754

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

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

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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.

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-

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

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 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-

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

Status: Not Corrected.

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

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

QUESTIONED COSTS: \$-0-

Finding Summary: 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.

ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Status: Not Corrected.

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

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

Status: Not Corrected.

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-

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.

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Status: Not corrected.

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-

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 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.



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