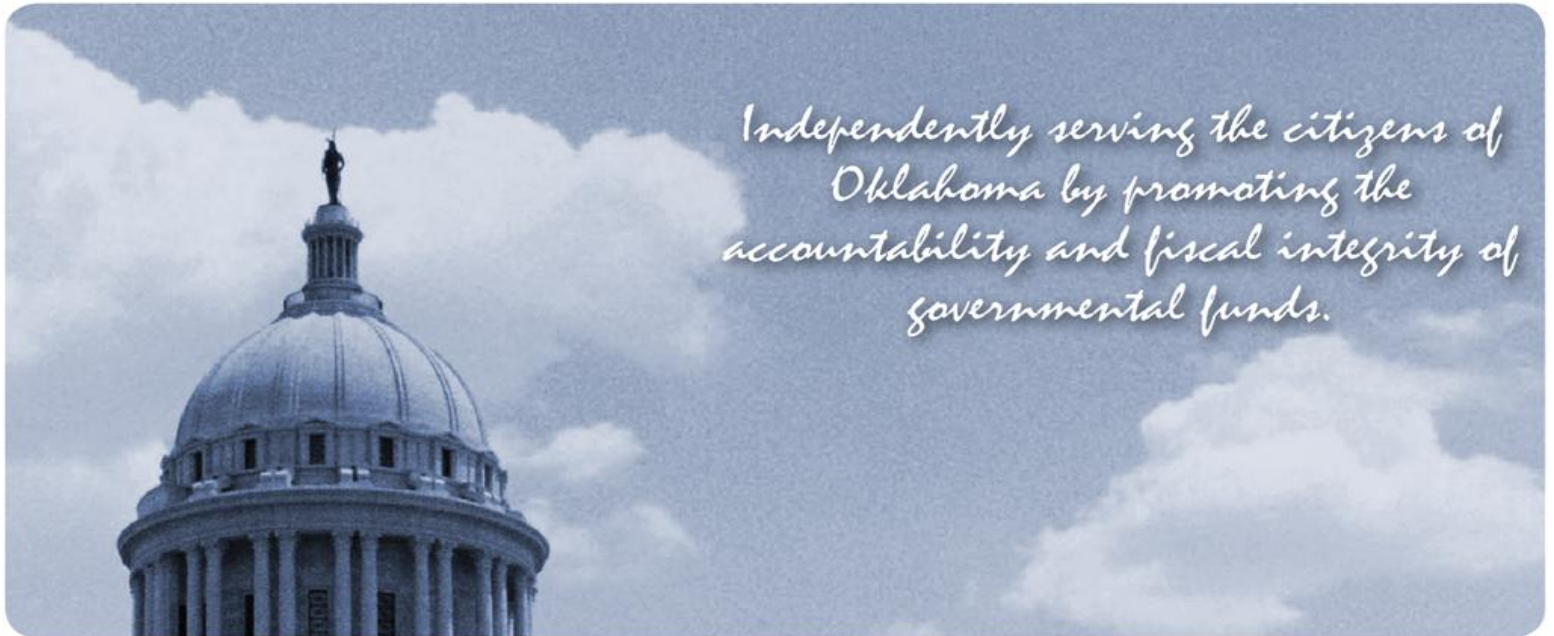


COUNTY AUDIT

ROGERS COUNTY

For the fiscal year ended June 30, 2015



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



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

**ROGERS COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "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

**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**ROGERS COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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. 8)

Finding 2015-6 – Inadequate Internal Controls Over Bid Term Reviews (Repeat Finding): The County did not review invoices against bid terms resulting in the County paying \$48,015.89 for ChipLock materials in excess of the maximum application rate as depicted by the bid. (Pg. 28)

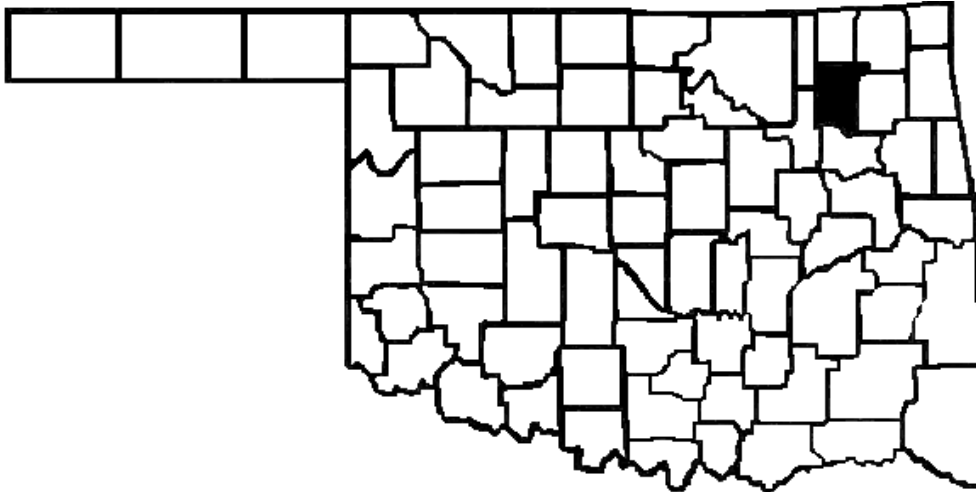
Finding 2015-8 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding): The County solicited bids for a trade name product of “ChipLock”, thus restricting bids to one vendor. The last bid accepted by the BOCC for this product was on June 5, 2014. (Pg. 30)

Finding 2015-15 – Inadequate Internal Controls and Policies Over Information Technology Regarding a Change in Officials: The outgoing County Treasurer terminated the Automated Clearing House (ACH), credit card, and internet services of the office thus creating a disruption of services for the County. Further, emails and documents were removed from county computers without consideration for record retention requirements. (Pg. 35)

Finding 2015-16 – County-Owned Property Used for Personal Use and Campaign Purposes: The former County Treasurer was utilizing a County owned and issued cell phone for personal and campaign purposes which could be considered a violation of Article 10 § 11 of the Oklahoma Constitution. (Pg. 37)

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, 2015**



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 – 89,815
(2014 est.)

Farms – 1,733

Land in Farms – 301,804 Acres

Primary Source: Oklahoma Almanac 2015-2016

**ROGERS COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Board of County Commissioners

District 1 – Dan DeLozier
District 2 – Mike Helm
District 3 – Ron Burrows

County Assessor

Scott Marsh

County Clerk

Robin Anderson

County Sheriff

Scott Walton

County Treasurer

Cathy Pinkerton Baker

Court Clerk

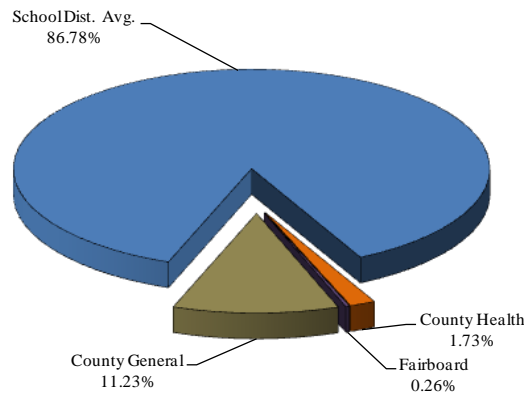
Kim Henry

District Attorney

Matt Ballard

**ROGERS COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

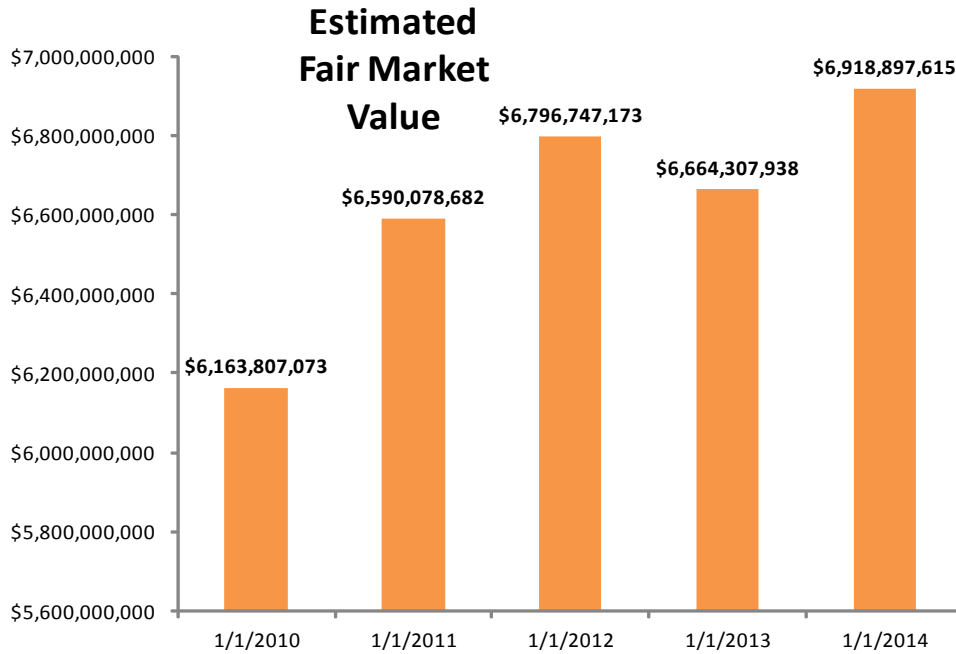
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	Claremore	1	35.97	5.14	24.47	11.27	4.1	80.95
County Health	1.54	Catoosa	2	35.46	5.06	20.88	13.18	4.1	78.68
Fairboard	0.23	Chelsea	3	36.51	5.22	20.2	11.27	4.1	77.30
		Oologah-Talala	4	35.38	5.05	13.49	11.27	4.1	69.29
Others		Inola	5	36.33	5.19	21.12	11.27	4.1	78.01
Oologah/Talala EMS	5.00	Sequoyah	6	36.69	5.24	23.16	11.27	4.1	80.46
Owasso City	0.62	Foyil	7	36.42	5.2	19.94	11.27	4.1	76.93
Fire Districts		Verdigris	8	35.65	5.09	13.19	11.27	4.1	69.30
Vertigris	10.30	Justus-Tiawah	9	36.48	5.21	16.98	11.27	4.1	74.04
Limestone	14.28	Collinsville	JT-006	36.47	5.6	24.41	11.27	4.1	81.85
Northwest	11.77	Owasso	JT-011	36.81	5.26	26.5	11.27	4.1	83.94
Foyil	16.95	Mayes	JT-032	36.84	5.26	19.96	11.27	4.1	77.43
Tri-District	10.00								
Fair Oaks	7.00								

**ROGERS COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

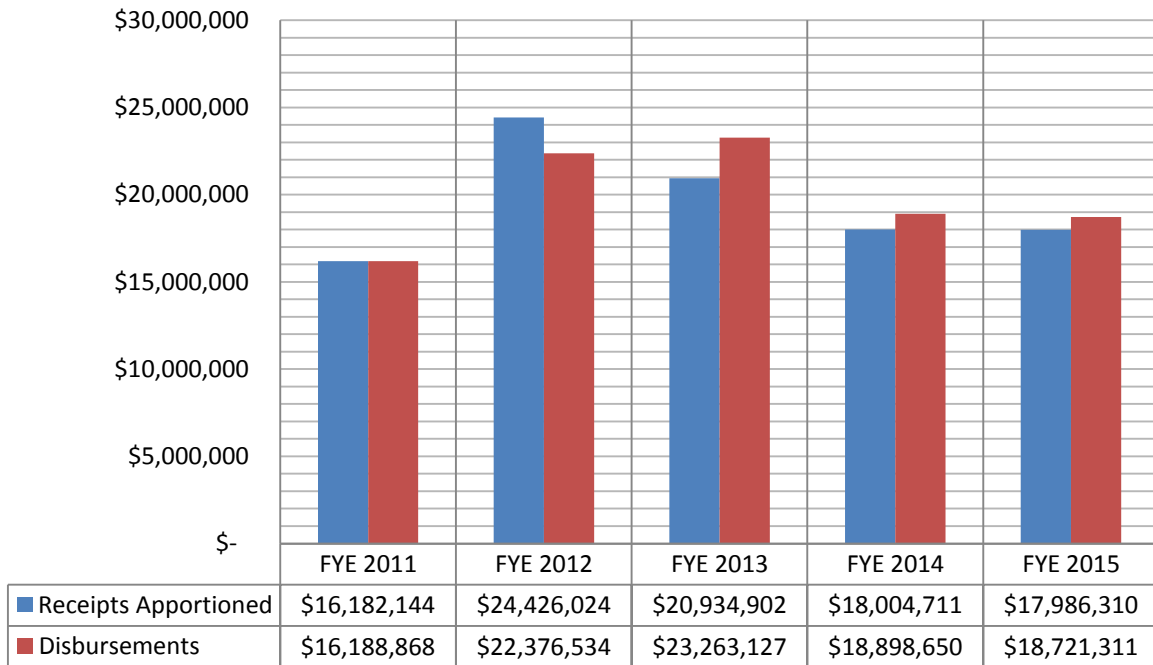
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$181,590,855	\$99,110,497	\$531,776,046	\$26,503,121	\$785,974,277	\$6,918,897,615
1/1/2013	\$169,314,783	\$116,361,602	\$507,742,564	\$25,801,570	\$767,617,379	\$6,664,307,938
1/1/2012	\$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



**ROGERS COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

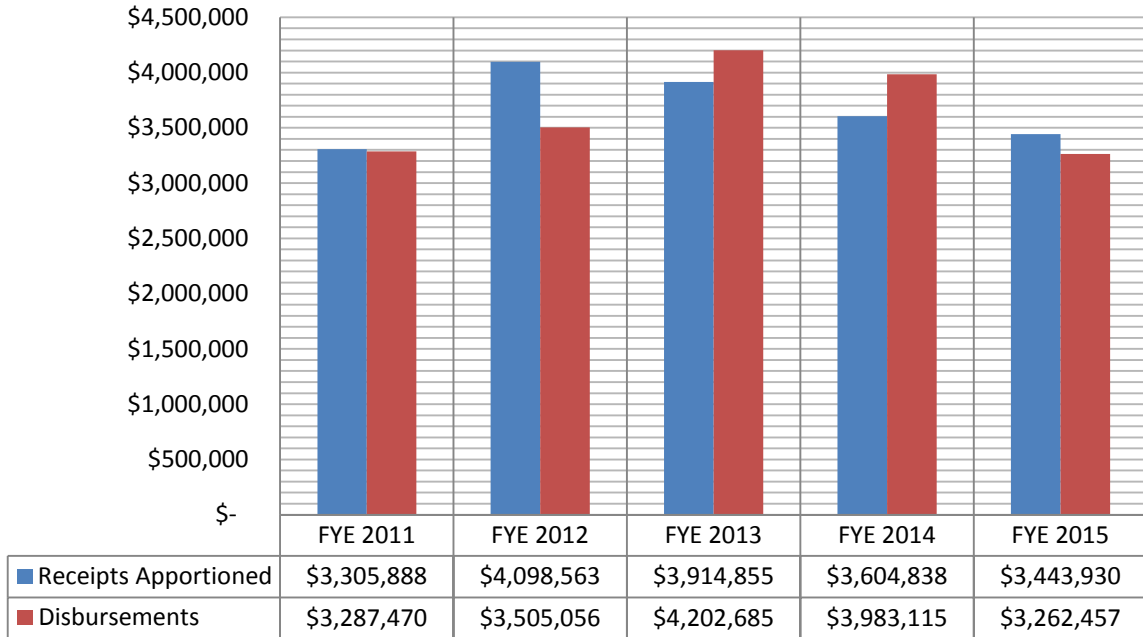
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also 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, 2015**

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, 2015, 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, 2015, or changes in its financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Findings 2015-2 and 2015-8 in our 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, management cannot provide adequate supporting documentation for expenditures of the General Fund. The full effect of the misstatement in the financial statement cannot be quantified.

As referenced in Footnote Section 3I, 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 has been suspended from office pending the outcome of an Accusation for Removal. 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, 2015, 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 Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

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 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.



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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 4,410,720	\$ 17,986,310	\$ 612,581	\$ -	\$ 18,721,311	\$ 4,288,300
T-Highway	1,291,739	3,443,930	43,676	-	3,262,457	1,516,888
County Health	1,400,222	1,200,182	-	-	1,282,795	1,317,609
Criminal Justice Authority	377,633	2,893,676	-	-	3,034,833	236,476
Use Tax	-	1,482,453	-	-	1,482,453	-
Sheriff Jail Account	2,974,716	3,049,553	-	-	2,921,509	3,102,760
County Bridge and Road Improvement Fund (CBRIF)	1,199,953	271,204	-	656,257	39,412	775,488
New Courthouse Project	-	1,312,752	-	-	1,312,752	-
Material Service Lawsuit	-	2,622,878	-	-	2,622,878	-
Material Service - 1/8th Sales Tax	-	984,564	-	-	984,564	-
Remaining Aggregate Funds	2,966,555	3,261,867	90,000	90,000	2,284,852	3,943,570
Combined Total - All County Funds	\$ 14,621,538	\$ 38,509,369	\$ 746,257	\$ 746,257	\$ 37,949,816	\$ 15,181,091

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, 2015**

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, 2015**

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.

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.

D. Budget

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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."

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 2015, the County collected a total of \$3,607,442 in sales tax collections dedicated for the obligation for bonds issued to pay a judgment awarded against the County. This total was comprised of \$2,622,878 from the Material Service Lawsuit sales tax, and \$984,564 from the Material Service 1/8th sales tax. These funds were remitted to the Rogers County Finance Authority. Bonds in the amount of \$915,000 were retired during fiscal year 2015.

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>
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	1,045,000	1,122,058	2,167,058
2020 – 2024	5,680,000	5,149,065	10,829,065
2025 – 2029	6,680,000	4,139,261	10,819,261
2030 – 2034	8,280,000	2,545,410	10,825,410
2035 – 2036	<u>5,830,000</u>	<u>454,768</u>	<u>6,284,768</u>
Total	<u>\$31,460,000</u>	<u>\$18,127,644</u>	<u>\$49,587,644</u>

E. Sales Tax

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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

Sales Tax of August 13, 2013

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

- \$612,581 was transferred from the County Bridge and Road Improvement Fund (CBRIF) to the County General Fund to cover road and bridge project costs.
- \$43,676 was transferred from the County Bridge and Road Improvement Fund (CBRIF) to the T-Highway fund to cover road and bridge project costs.

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- \$90,000 was transferred from the Courthouse Bond Proceeds fund to Fairboard fund (a trust and agency fund) to meet requirements of appropriations in accordance with 68 O.S. § 3021.
- \$90,000 was transferred from the Fairboard fund (a trust and agency fund) to the Courthouse Bond Proceeds fund for repayment of the loan in accordance with 68 O.S. § 3021.

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

\$2,946,577 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 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 \$2,946,577 in receipts apportioned to the Sheriff Jail Account fund and \$2,946,577 in disbursements to the Criminal Justice Authority fund.

H. Special Items

Although the period of availability for the alternate project (PW 937) of Disaster #1754 (CFDA #97.036) expired on December 5, 2013, the project has yet to be closed-out and completed. Oklahoma 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.

I. 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

**ROGERS COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 4,365,120	\$ 4,410,720	\$ 45,600
Less: Prior Year Outstanding Warrants	(581,757)	(581,757)	-
Less: Prior Year Encumbrances	(464,493)	(404,179)	60,314
Beginning Cash Balances, Budgetary Basis	<u>3,318,870</u>	<u>3,424,784</u>	<u>105,914</u>
Receipts:			
Ad Valorem Taxes	7,492,954	7,618,170	125,216
Charges for Services	613,945	691,184	77,239
Intergovernmental Revenues	1,188,967	1,908,086	719,119
Sales Tax	6,269,839	6,891,945	622,106
Miscellaneous Revenues	<u>2,543,992</u>	<u>876,925</u>	<u>(1,667,067)</u>
Total Receipts, Budgetary Basis	<u>18,109,697</u>	<u>17,986,310</u>	<u>(123,387)</u>
Expenditures:			
County Sheriff	2,618,873	2,510,460	108,413
County Treasurer	351,649	300,686	50,963
County Commissioners	51,042	50,386	656
OSU Extention	246,583	194,227	52,356
County Clerk	521,037	516,774	4,263
Court Clerk	463,170	420,993	42,177
County Assessor	118,069	112,023	6,046
Revaluation of Real Property	900,293	830,621	69,672
Human Resources	126,659	89,668	36,991
District Court	546,607	468,630	77,977
General Government	1,917,909	1,646,295	271,614
Excise-Equalization Board	6,100	3,327	2,773
County Election Expenses	283,969	249,454	34,515
Insurance-Benefits	2,544,660	2,375,177	169,483
Intergrated Systems	90,665	81,883	8,782
Planning Commission	242,980	237,487	5,493
Charity	9,500	5,400	4,100
OneCent Sales Tax	9,073,489	7,546,047	1,527,442
One Cent FEMA	9	-	9
Emergency Management	95,663	92,065	3,598
911 Dispatchers	478,534	438,812	39,722
General Highway	14,508	6,943	7,565
County Audit Budget	199,273	74,589	124,684
Cemetery Account	148,153	132,543	15,610

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, 2015

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Maintenance Department	310,533	300,761	9,772
Addressing Account	58,640	52,774	5,866
Provision for Interest on Warrants	10,000	-	10,000
Total Expenditures, Budgetary Basis	21,428,567	18,738,025	2,690,542
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	2,673,069	\$ 2,673,069
Operating Transfers		612,581	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		3,201	
Add: Current Year Outstanding Warrants		340,773	
Add: Current Year Encumbrances		658,676	
Ending Cash Balance		\$ 4,288,300	

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, 2015

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,400,222	\$ 1,400,222	\$ -
Less: Prior Year Outstanding Warrants	(161,353)	(161,353)	-
Less: Prior Year Encumbrances	(23,098)	(23,098)	-
Beginning Cash Balances, Budgetary Basis	1,215,771	1,215,771	-
Receipts:			
Ad Valorem Taxes	1,102,934	1,172,026	69,092
Charges for Services	-	9,420	9,420
Intergovernmental Revenues	-	13,655	13,655
Miscellaneous Revenues	30,816	5,081	(25,735)
Total Receipts, Budgetary Basis	1,133,750	1,200,182	66,432
Expenditures:			
Health and Welfare	2,349,521	1,205,519	1,144,002
Total Expenditures, Budgetary Basis	2,349,521	1,205,519	1,144,002
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	1,210,434	\$ 1,210,434
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		11	
Add: Current Year Encumbrances		18,150	
Add: Current Year Outstanding Warrants		89,014	
Ending Cash Balance		\$ 1,317,609	

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, 2015

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:						
Resale Property	\$ 751,485	\$ 516,465	\$ -	\$ -	\$ 476,503	\$ 791,447
Courthouse Bond Proceeds	569,993	1,004,843	90,000	90,000	388,377	1,186,459
Civil Defense/Emergency Management	56,599	22,581	-	-	32,639	46,541
Sheriff Drug Enforcement	1,545	-	-	-	-	1,545
Sheriff Civil Fee	95,146	244,029	-	-	197,342	141,833
County Clerk Lien Fee	33,320	26,892	-	-	14,505	45,707
Treasurer Mortgage Certification Fee	103,324	18,873	-	-	42,222	79,975
County Clerk Records Preservation	74,743	93,007	-	-	15,189	152,561
Planning Commission Engineering Fees	3,724	15,581	-	-	9,500	9,805
Sheriff Commissary	64,497	246,079	-	-	222,076	88,500
Sheriff Service Fees	21,957	66,396	-	-	63,469	24,884
Sheriff Courthouse Security	18,091	39,979	-	-	48,978	9,092
Attendant Care	2,505	-	-	-	-	2,505
Community Development Block Grant - Advanced Research Chemical, Inc.	80	199,950	-	-	199,950	80
Assessor Revolving	4,365	1,152	-	-	2,241	3,276
Sheriff Special Account	277	4,000	-	-	57	4,220
Oklahoma Highway Safety Grant	2	16,136	-	-	9,580	6,558
Wireless Prepay 911 Fee	126,425	54,402	-	-	28,656	152,171
Emergency 911	167,710	158,794	-	-	136,864	189,640
Cell Phone Usage	868,040	258,148	-	-	376,418	749,770
Hazard Mitigation	800	-	-	-	-	800
Oklahoma Bar Association Donations for Court Area	1,927	-	-	-	-	1,927
Sheriff Forfeiture	-	44,246	-	-	-	44,246
Sheriff Jail Turnpike	-	42,887	-	-	20,286	22,601
Dispatch Consolidated Service	-	107,427	-	-	-	107,427
Rural Economic Action Plan (REAP) Grants	-	80,000	-	-	-	80,000
Combined Total - Remaining Aggregate Funds	\$ 2,966,555	\$ 3,261,867	\$ 90,000	\$ 90,000	\$ 2,284,852	\$ 3,943,570

**ROGERS COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

2. 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, 2015**

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, 2015**

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

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

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

Sheriff Jail Turnpike – accounts for revenues generated from the agreement between the County and the Turnpike Authority for the County overseeing county inmates picking up trash along the turnpike. Disbursements are for the deputies salaries and operating expenses related to the agreement.

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

Rural Economic Action Plan (REAP) Grants – accounts for grant revenue from Rural Economic Development to fund improvement projects for schools, water districts, Port of Catoosa, and County.

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, 2015, 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: 2015-1, 2015-2, 2015-3, 2015-4, 2015-6, 2015-7, 2015-8, 2015-13, and 2015-15.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2015-12, and 2015-16.

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 2015-2 and 2015-13.

We noted certain matters regarding statutory compliance that we reported to the management of Rogers County, which are included in Section 2 of the schedule of findings and responses contained in this report.

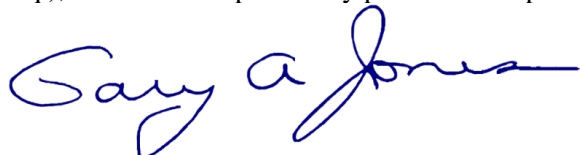
Rogers County's Responses to Findings

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

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2015-1 – 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 receipting payments, posting transactions, balancing the cash drawer, preparing deposits, 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 un-supported 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 2014, monthly report depicted a negative ending balance in the County General Fund of \$466,247.71.
- During fiscal year 2015, 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 for statutory requirements.
- A total of \$117,712.20 in ad valorem collections was apportioned to fire, EMS, and school districts instead of being apportioned to the County General and Health funds in the amounts of \$102,017.30 and \$15,694.90 respectively.
- Interest earned on the General Bank account for March and April of 2015 was not receipted in or apportioned until May 12, 2015. However, the amount receipted and apportioned was \$49,539.04 more than the actual interest received.
- Monthly reports were not completed for April, May, and June 2015 until the new County Treasurer took office in fiscal year 2016. Additionally, monthly reports had to be revised by the new County Treasurer as reconciling issues were noted and ultimately corrected.

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

**ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 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

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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 2015-2 – 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 with 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 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	008085	\$ 60,974.97
District 2 1 Cent Sales Tax	000636	\$ 18,527.29
District 2 1 Cent Sales Tax	000637	\$ 93,317.17
District 2 1 Cent Sales Tax	000638	\$ 8,692.01
District 2 1 Cent Sales Tax	000639	\$ 13,518.55
District 2 1 Cent Sales Tax	000640	\$ 70,070.34
District 2 1 Cent Sales Tax	000641	\$ 17,194.42
District 2 1 Cent Sales Tax	000642	\$ 19,536.62
District 2 1 Cent Sales Tax	000643	\$ 34,340.42
District 2 1 Cent Sales Tax	000644	\$ 10,520.94
District 2 1 Cent Sales Tax	000645	\$ 7,298.87
District 2 1 Cent Sales Tax	000646	\$ 14,567.10
District 2 1 Cent Sales Tax	000647	\$ 45,182.89
District 2 1 Cent Sales Tax	002358	\$ 15,573.93
District 2 1 Cent Sales Tax	002359	\$ 63,092.17
District 2 1 Cent Sales Tax	002360	\$ 79,110.12
District 2 1 Cent Sales Tax	002815	\$ 15,904.54
District 2 1 Cent Sales Tax	002816	\$ 10,529.72
District 2 1 Cent Sales Tax	004121	\$ 6,650.00
District 2 1 Cent Sales Tax	004122	\$ 43,523.90
District 2 1 Cent Sales Tax	004123	\$ 25,717.93
Total		<u>\$673,843.90</u>

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Cause of Condition: Policies and procedures have not been designed and implemented over the disbursement process to ensure compliance with state statutes.

Effect of Condition: This condition 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.

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.

Robin Anderson, County Clerk: We make every effort to check invoices for detail.

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.

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

Finding 2015-3 – Inadequate County-Wide Controls (Repeat Finding)

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

Beginning in fiscal year 2015, the County began holding monthly staff meetings with the county-wide offices. These meetings have addressed some of the County's deficiencies with risk management and monitoring controls. However, to date the County still does not appear to have controls in place to ensure annual financial statements or the Schedule of Expenditures of Federal Awards (SEFA) are reviewed for accuracy and completeness, to make certain audit findings are corrected, or to address risks related to fraudulent activity and noncompliance with laws.

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

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

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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 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 of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

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.

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

Finding 2015-4 – 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, 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 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.

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.

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Finding 2015-6 – Inadequate Internal Controls Over Bid Term Reviews (Repeat Finding)

Condition: As discussed in the finding 2015-8, entitled *Bid Restricting – Preference Shown to Vendor*, 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 following seventeen (17) purchase orders which depict specific gallon application information (that indicate an average application rate of 0.342 gallons per square yard, which exceeds the maximum application rate of 0.30:

Purchase Order Number	Yd ² Work Performed	Gallons Applied	Gallons to Yd ²
647	28,442	12,231	0.430
646	11,800	3,658	0.310
645	5,911	1,833	0.310
644	8,522	2,642	0.310
643	27,166	8,694	0.320
642	15,456	4,946	0.320
637	47,633	21,299	0.447
641	13,926	4,318	0.310
640	56,222	17,654	0.314
639	10,450	3,449	0.330
638	5,289	1,799	0.340
636	11,696	3,743	0.320
2359	49,451	16,023	0.324
2358	12,614	3,911	0.310
2360	62,586	20,028	0.320
2816	6,773	2,100	0.310
2815	12,882	3,994	0.310

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.

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Effect of Condition: Not reviewing invoices against bid terms resulted in the County paying \$48,015.89 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 work not completed or for work in excess of the bid agreement.

Recommendation: OSAI recommends the County develops and implements policies and procedures to ensure vendors adhere to bid specifications, invoices include adequate information to determine the exact work/materials obtained, and invoices are reviewed for compliance with bid terms to ensure the County is receiving the materials/items it is paying for.

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. 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.

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

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 2015-7 – Inadequate Internal Controls Over Computer Usage (Repeat Finding)

Condition: 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: Policies and procedures have not been developed to ensure security for the appropriate use of County computer equipment and email record maintenance and retention.

Effect of Condition: These conditions could result in compromised security for computers, computer programs, and data.

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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:

Jason Carini, Treasurer: The findings presented above occurred under the previous administration. On the first day of my term, I took the necessary steps to ensure the security for computers, computer programs, and data. On the first day of my term, I moved all office emails to the County’s email service and we no longer utilize the off-site email server.

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: When this was brought to the attention of the BOCC, we took corrective action and requested that the County Treasurer host their email accounts on the same site and network server as the other County offices moving forward. Also, in July 2015, the new County Treasurer implemented policies and procedures to protect County computers, programs, software, emails, data, etc.

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

- 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 indentified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

Finding 2015-8 – Bid-Restricting – Preference Shown to Vendor (Repeat Finding)

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

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

During the audit period, the BOCC solicited bids for the specific product identified as ChipLock. By soliciting for a specific brand of material, the BOCC effectively restricted other vendors (competitors) from submitting bids. 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

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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, 2014 through June 30, 2015, the County paid this company \$673,843.90 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 all other vendors with similar products or materials.

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. 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.

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.

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.

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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 2015-12 – 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:

- 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.
- Bid #653 (self-propelled road sweeper) was solicited explicitly for District 3. District 2 “piggy-backed” off of the bid but purchased the equipment from a vendor other than the one awarded the bid by District 3.
- Bid #656 (double drum roller) was solicited without a general statement clause resulting in specific specifications. Additionally, the BOCC minutes reflecting the awarding of this bid only depict the base price of \$47,000, and not the warranty that was purchased for an additional \$3,090.
- Bid #661 (trench burner) was solicited without a general statement clause, and as a result the specifications were written in a specific manner as to prohibit some vendors from submitting bids.

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Cause of Condition: The County did not ensure compliance between the various requirements of the Title 19 purchasing statutes and the PCBA as found in Title 61. Additionally, equipment was not always purchased in accordance with the bid award requirements.

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

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

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.

Ron Burrows, District 3 County Commissioner: County purchasing requirement policies and procedures have been updated to be in accordance with all applicable statutes. District 3 staff attends on-going training opportunities to continue compliance with state statutes regarding the solicitation and awarding of bids.

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 it all applies to any repairs or construction of public buildings.

Finding 2015-13 – Inadequate Internal Controls and Noncompliance Over County Sales Tax (Repeat Finding)

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

- Criminal Justice Sales Tax -
 - In June 2015, the County transferred \$2,946,577 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.

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- The Lease Agreement between the County and the Authority that provides for the Authority to receive and administer 100% of the county sales tax revenues appointed for the purpose of acquiring a site and erecting, furnishing, equipping, operating, and maintaining a county jail to be applied or pledged toward the payment of principal and interest on any indebtedness, including refunding indebtedness, incurred by or on behalf of Rogers County is not renewed on an annual basis.
- The Operation, Maintenance, and Administration Agreement between the County and the Authority that provides for the Sheriff to run the day to day operations of the jail and the Authority to use sales tax revenues to pay all the operations and maintenance expenses of the jail is not renewed on an annual basis.
- Although these agreements have not been renewed on an annual basis, the County and the Authority have been conducting business in accordance with both these agreements.

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.

County Treasurer: This finding occurred under the previous administration.

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

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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 finds were transferred.”

Finding 2015-15 – Inadequate Internal Controls and Policies Over Information Technology Regarding a Change in Officials

Condition: The following was noted to have occurred towards the end of fiscal year 2015 as the County Treasurer term of office was ending:

- On June 30, 2015, the outgoing Treasurer had the Automated Clearing House (ACH) and credit card payment services for the office terminated.

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- On June 30, 2015, the outgoing Treasurer had the internet service for the Treasurer's office discontinued.
- The outgoing Treasurer had the software vendor remove emails from several county email accounts. The software vendor was also tasked with cleaning the Treasurer's county computer of any personal documents, etc. These removals did not appear to take into account record retention requirements.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure, that in the event an elected official leaves office, controls are in place to guarantee services essential to the operations of the office are not disrupted and all records are maintained in accordance with record retention requirements.

Effect of Condition: These conditions resulted in the disruption of services provided by the County and it could have resulted in the inappropriate removal of pertinent County records.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure that the actions of an outgoing official cannot disrupt or cause to disrupt services essential to the operations of the office and/or remove or cause to be removed any records of the County.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: Rogers County strongly encourages all outgoing officials to work cooperatively with incoming elected officials to ensure operations of the office are not disrupted and all records are maintained in accordance with record retention requirements.

Jason Carini, Treasurer: The findings listed significantly hampered my ability to successfully operate the duties of the Treasurer within the first month of office. Other services utilized by the office, like the credit card processor, were also turned off. I want to add that the bank statements were not reconciled for the previous entire year. The financial cost of recreating the financial books cost this office over \$8,000 in direct costs and untold amount in indirect costs.

The findings mentioned above hindered my office's ability to collect taxes and complete essential functions and duties. For example, we were without internet access until approximately 1:30 pm on July 1, 2015. It is my opinion these actions violated Title 21 O.S. § 346 which states,

“Every person who willfully obstructs or hinders any public officer from collecting any revenue, taxes, or other sums of money in which, or any part of which the people of this state are directly or indirectly interested, and which such officer is by law empowered to collect, is guilty of a misdemeanor.”

Criteria: Internal controls should be designed to guarantee services essential to the operations of the County cannot be disrupted upon a change in management, and to ensure that all applicable County records are maintained appropriately.

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

Finding 2015-16 – County-Owned Property Used for Personal Use and Campaign Purposes

Condition: During the course of audit fieldwork, it was brought to the attention of OSAI that the former County Treasurer was utilizing a County-owned and issued cell phone for personal and campaign purposes.

OSAI previously referenced the use of county cell phones by the County Treasurer for personal use in the fiscal year 2012 audit report as part of Finding 2012-24.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adherence to Article 10 § 11 of the Oklahoma Constitution and policies designed by the County to guard against the abuse of County-owned property for personal and campaign related use are followed.

Effect of Condition: This condition resulted in the abuse of County funds for personal use including the promotion of a political campaign, and a violation of County policy. Further, such a use of County funds could be considered a violation of Article 10 § 11 of the Oklahoma Constitution.

Recommendation: OSAI recommends the County establish policies and procedures to ensure compliance with the Oklahoma Constitution and County policies regarding the use of County-owned property by an elected official for personal or political uses.

Management Response:

Jason Carini, Treasurer: When I came into office on July 1, 2015, the cell phone plans for two County iPhones were already cancelled with AT&T. All the content on both iPhones was deleted. Utilizing software from the courthouse investigator, the phones were “dumped” of their data. The software compiled the data dump into PDF files which were forwarded to the OSAI. The files consisted of text messages, contacts, images, etc.

Since taking office, no one in my office has had a County phone. Because there are no staff members who work outside the Courthouse and in the field, there is no need for staff members to have a County phone.

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: This was not sanctioned by the Rogers County BOCC and we were not aware that this was occurring, but in the future, the BOCC will implement safeguards to protect against the abuse of County-owned property for personal and campaign-related use.

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Criteria: Good internal controls require monitoring of expenditures and all related supporting documentation to ensure that County funds are not abused or used for personnel gain. Additionally, the County’s Handbook states, “No County official or employee may use County property for his or her own use or for any other use not required by or consistent with or in connection with their duties with Rogers County.” It further states that County-paid cell phones will not be used for any personal calls (either incoming or outgoing).

Further, guidelines of the Internal Revenue Service require items of this nature to be reported as taxable fringe benefits. To date, these items have not been reported on the Treasurer’s W-2.

Article Article 10 § 11states:

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

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2015-10 – 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 2015.
- 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 November 18, 2014 to December 19, 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.

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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 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 next year's audit.

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

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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 by January 15 of the subsequent year.

Finding 2015-11 - Inadequate Segregation of Duties and Noncompliance Over Fixed Assets and Consumable Inventory

Condition: Testwork conducted over fixed assets inventory reflected the following:

- The following three (3) items were not depicted on the fixed asset inventory list:

District	Inventory Item
District 2	Baldor Powerlite Lights
District 2	Pole Saw
District 2	Mac Tool Air Compressor

- The following ten (10) items were not marked as County property:

District	Inventory Item
District 2	2009 Chevy Crew-Cab 4 X 4
District 2	2008 Chevy C5500 Diesel Crew Cab
District 2	2014 Chevy Silverado 1500 HD Crew Cab 4 X 4
District 2	1982 Peterbilt Truck Tractor
District 2	John Deer 6125R Loader Unit
District 2	John Deer 6125R Loader Unit
District 2	John Deer 6125R Loader Unit
District 2	2012 Asphalt Zipper
District 2	John Deer 997 Diesel ZTrak 60" Mower
District 2	2003 Bandit Brush Chipper w/ 86HP Cat Engine

- At District 2, one (1) cattle guard was noted as missing.

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A physical measurement of fuel on hand was performed and reconciled to the fuel logs at the District barns, and the following exceptions were noted:

District	Fuel Type	Gallons on Record	Gallons Measured	Variance
1	Diesel	2,285	845	-1,440
1	Gas	1,232	532	-700
2	Diesel	3,014	2,820	-194

- Fuel usage of mobile tanks is not tracked by District 1.

A review of consumable inventory records reflected the following:

- Receipt of consumable items is not always recorded on the consumable records of District 2 resulting in the negative balances being recorded on consumable stock records:

Description	Record Amount
½” Chips	-738.42 (ton)
12” Used Steel Pipe	-151.95 (ft.)
18” Used Steel Pipe	-125.60 (ft.)
24” Used Steel Pipe	-177.55 (ft.)
30” Used Steel Pipe	-17.65 (ft.)
41” Used Steel Pipe	-42.00 (ft.)

- Usage of consumable items is not always recorded on the consumable records of District 2 resulting in balances on hand being less than recorded balances.

Description	Record Amount	Amount Verified	Variance
11 ¾” Used Steel Pipe	6.80 (ft.)	0.00 (ft.)	-6.80 (ft.)
3/8” Lite Wate Agg	2.70 (ton)	0.00 (ton)	-2.70 ton
30” Used Steel Pipe	78.20 (ft.)	0.00 (ft.)	-78.20 (ft.)
36” Used Steel Pipe	7.70 (ft.)	0.00 (ft.)	-7.70 (ft.)
41” Used Steel Pipe	33.80 (ft.)	0.00 (ft.)	-33.80 (ft.)
48” Used Steel Pipe	10.00 (ft.)	0.00 (ft.)	-10.00 (ft.)
Bottom Ash	400.00 (ton)	200.00 ton	-200.00 (ton)
Cold Patch	707.00 (bag)	310.00 (bag)	-397.00 (bag)
24” Shop Stock	11.33 (ft.)	*	-11.33 (ft.)
30” Shop Stock	2.63 (ft.)	*	-2.63 (ft.)
40” Shop Stock	7.00 (ft.)	*	-7.00 (ft.)
48” Shop Stock	0.90 (ft.)	*	-0.90 (ft.)
16” Used Steep Pipe	44.45 (ft.)	29.25 (ft.)	-15.20 (ft.)
20” Used Steel Pipe	50.45 (ft.)	34.25 (ft.)	-16.20 (ft.)

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Description	Record Amount	Amount Verified	Variance
22" Used Steel Pipe	20.00 (ft.)	22.50 (ft.)	2.50 (ft.)
36" Used Steel Pipe	73.30 (ft.)	28.50 (ft.)	-44.80 (ft.)

*District Barn employees were unable to determine what these items were.

- District 2 did not maintain consumable records for Tires, 28" Pipe, and 38" Pipe.

Cause of Condition: Policies and procedures have not been adequately designed and implemented by all county offices/departments to ensure the accurate reporting of fixed assets and consumable inventory items, as well as adequate procedures to ensure equipment is properly identified in accordance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statute and inaccurate records, and could result in unrecorded transactions, misappropriation of assets, unauthorized use of consumable inventories, or the loss of consumable inventories. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets and consumable inventory.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with 19 O.S. § 178.1 and 69 O.S. § 645 by maintaining up to date inventory records and marking assets with County identification numbers and "Property of Rogers County." OSAI also recommends that each District perform and document a periodic inventory of fixed assets.

OSAI further recommends management implement internal controls to ensure compliance with 19 O.S. § 1504. These controls would include:

- Separating the key functions of receiving, maintaining, and verifying consumable inventories.
- Tracking consumable inventory by implementing the use of consumable stock cards.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log monthly to fuel on hand and explain any variance or adjustments.
- Performing and documenting of a monthly consumable inventory count. Inventory counts should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the County Commissioners.

Management Response:

Dan DeLozier, BOCC Chairman, District 1 County Commissioner: In regards to District 2's fixed asset inventory list, consumable inventory items, and fuel measurements, 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 properly mark all county property as well as encourage him to work with OSAI to implement safeguards to prevent this situation from happening again.

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With respect to the physical fuel measurements for District 1, action has been taken to correct fuel measurement variances and reconcile fuel logs by retaining a petroleum management and equipment company (the company) on Monday, November 22, 2016 to test fuel system, calibrate fuel tanks and dispensers, seal meters after calibration, and properly adjust clock gauges. According to the company, the gauges on the diesel tank indicated that 5.5 gallons were being dispensed; however, only 5 gallons were actually being dispensed, which would account for the diesel fuel variance over time. Also, the gauge on the unleaded fuel tank was clogged preventing the Technician from properly sticking the tank for an accurate reading. The Technician unclogged the gauge, calibrated the tank, and resealed the meter.

In the future, District 1 will physically measure the fuel in each of the tanks on a weekly basis by sticking the tanks, clocking the gauges, and logging the measurements. We will also have the company test and calibrate the fuel tanks and dispensers every six (6) months to ensure that our fuel tank system is functioning properly.

Also, with respect to tracking fuel usage of mobile tanks at District 1, meters will be installed on all mobile tanks and will be closely monitored by sticking the tanks and calibrating the meters.

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

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 1504 requires the receiving officer to maintain a record of all items received, disbursed, stored and consumed by the department.

Title 69 O.S. § 645 requires all county owned, rented, or leased road machinery or equipment be clearly and visibly marked "Property Of".



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV