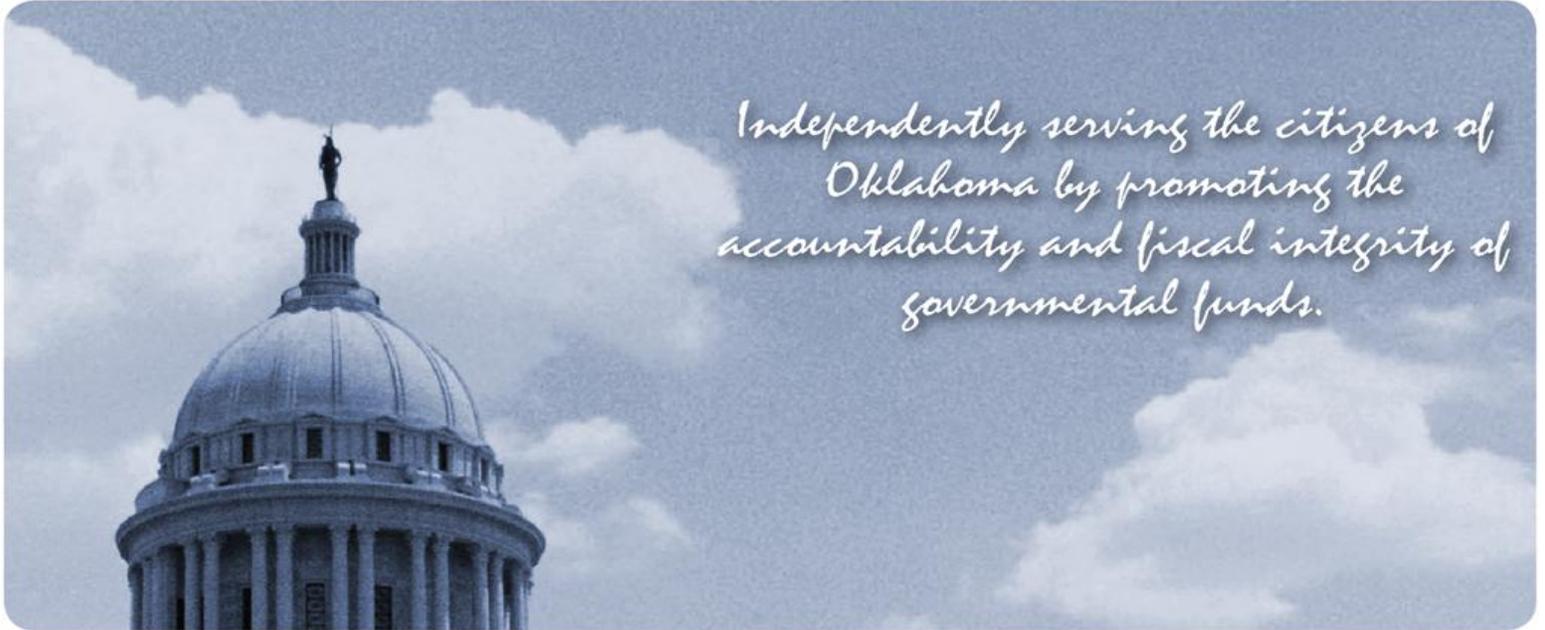


COUNTY AUDIT

GRANT COUNTY

For the fiscal year ended June 30, 2013



*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

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

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 Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

February 6, 2015

TO THE CITIZENS OF
GRANT COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", is written over a horizontal line.

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited)

Statistical Information.....	iii
County Officials.....	iv
Ad Valorem Tax Distribution	v
Assessed Value of Property Trend Analysis.....	vi
County Payroll Expenditures Analysis	vii
County General Fund Analysis	viii
County Highway Fund Analysis	ix

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis (with Combining Information)—Major Funds.....	4
Notes to the Financial Statement.....	5

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	10
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund	12
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis—Remaining Aggregate Funds	13
Notes to Other Supplementary Information	14

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

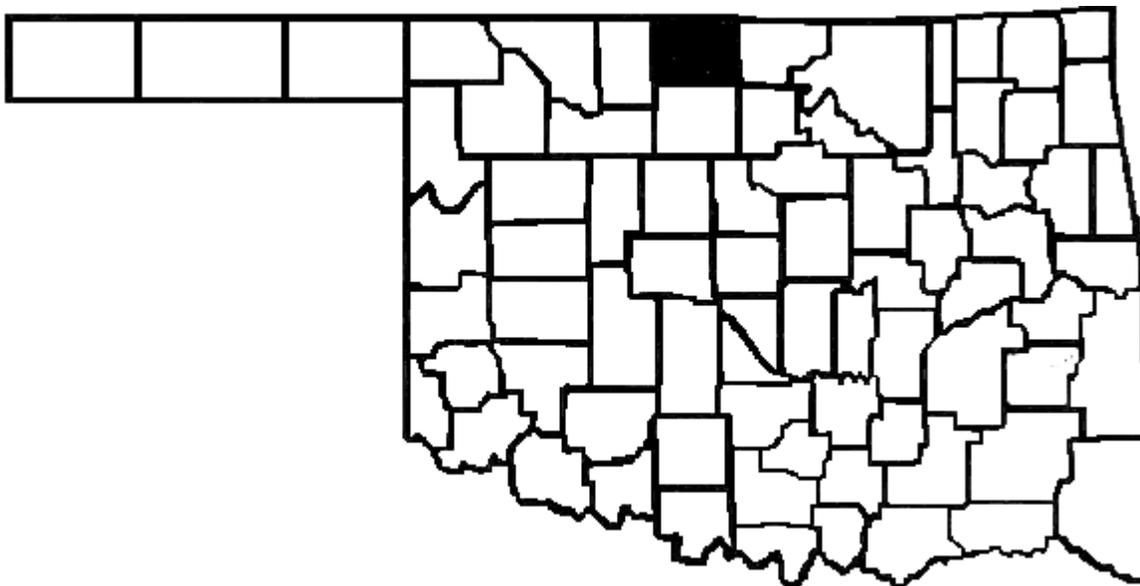
INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 16

Schedule of Findings and Responses..... 18

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

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



Located in north central Oklahoma, Grant County was named for President Ulysses S. Grant. Originally “L” county, this area was organized as part of Oklahoma Territory. The economy of Grant County is basically agricultural, with Clyde Cooperative Association’s general offices in Medford, the county seat. Conoco and Koch Hydrocarbon Company are two major businesses in the county. Lamont is home to one of five, world Atmospheric Radiation Measurement Program sites, part of the Department of Energy’s Global Climate Change Research Project of 1992.

The Grant County Museum, located in Medford, offers visitors a glimpse of pioneer life in the “Cherokee Strip.” Historic Jefferson Park, Sewell’s Stockade and watering station for the Chisholm Trail cattle drive located in Jefferson. The recording station for area weather, temperature, and rainfall for one hundred years is also in Jefferson. Grant County Free Fair and Fair Grounds are located at Pond Creek; the Community Health Center, a pioneer in rural health, is in Wakita. The county’s celebration of the Run of ’93, “Old Settlers Day,” is held in Wakita.

The Grant County Historical Society and Grant County Museum are sources of information, or call the County Clerk’s office at 580/395-2274.

County Seat – Medford

Area – 1,003.61 Square Miles

County Population – 4,519
(2009 est.)

Farms – 847

Land in Farms – 633,052 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

Board of County Commissioners

District 1 – Max L. Hess
District 2 – Cindy R. Bobbitt
District 3 – Jerry M. Shaffer

County Assessor

Phillip McCoy

County Clerk

Debbie Kretchmar

County Sheriff

Scott Sterling

County Treasurer

Penny Dowell

Court Clerk

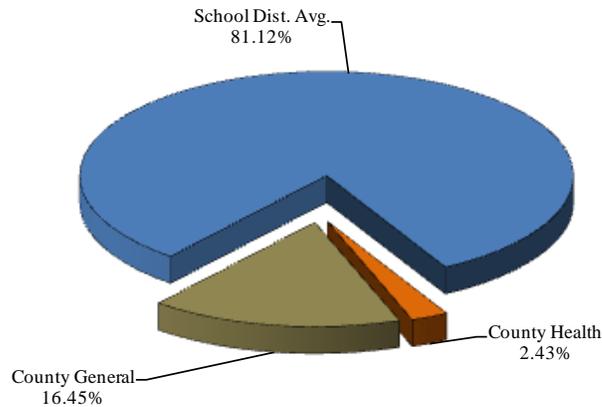
Deana Kilian

District Attorney

Michael Fields

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

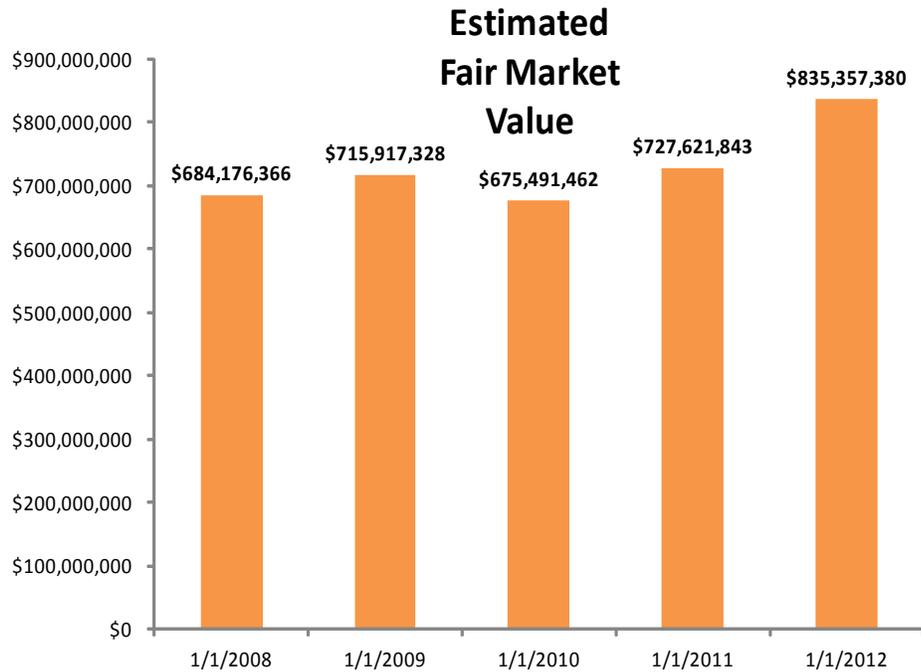
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages						
County General	County Health			Gen.	Bldg.	Skg.	Common	Total
10.13	1.50	Medford	I-54	35.35	5.05	3.24	4.05	47.69
		Pond Creek	I-90	35.79	5.11	10.25	4.05	55.20
		Deer Creak-Lamont	I-95	35.40	5.06	-	4.05	44.51
		Timberlake	I-93	35.10	5.10	5.50	4.05	49.75
		Billings	JT-2	35.00	5.00	6.00	4.05	50.05
		Kremlin	JT-18	35.21	5.03	10.55	4.05	54.84

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

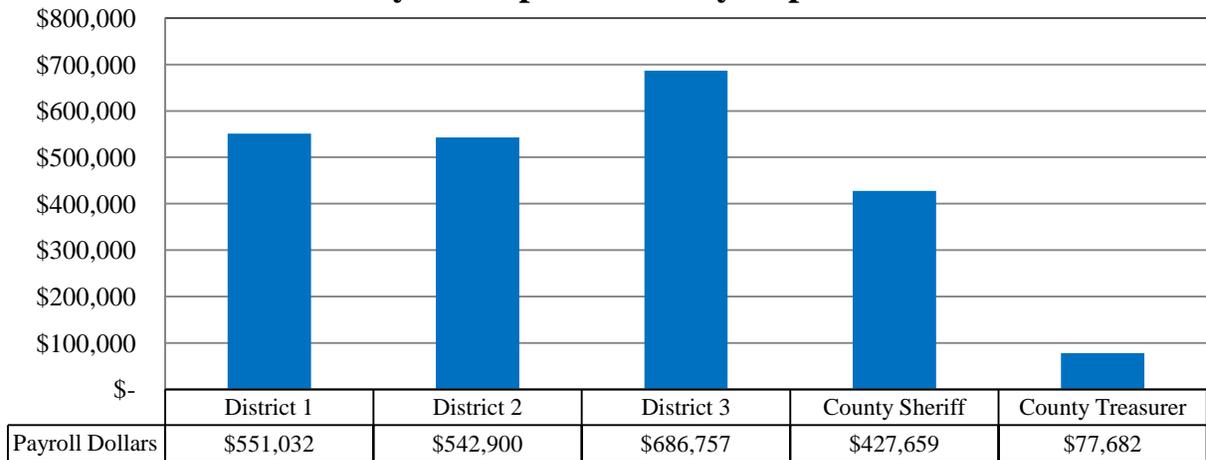
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$53,697,188	\$20,919,918	\$40,584,444	\$1,306,116	\$113,895,434	\$835,357,380
1/1/2011	\$41,131,002	\$21,099,581	\$39,583,138	\$1,303,850	\$100,509,871	\$727,621,843
1/1/2010	\$36,444,264	\$18,886,316	\$38,979,657	\$1,319,171	\$92,991,066	\$675,491,462
1/1/2009	\$43,962,701	\$15,489,207	\$38,377,707	\$1,324,050	\$96,505,565	\$715,917,328
1/1/2008	\$40,577,508	\$15,366,321	\$37,855,944	\$1,317,490	\$92,482,283	\$684,176,366



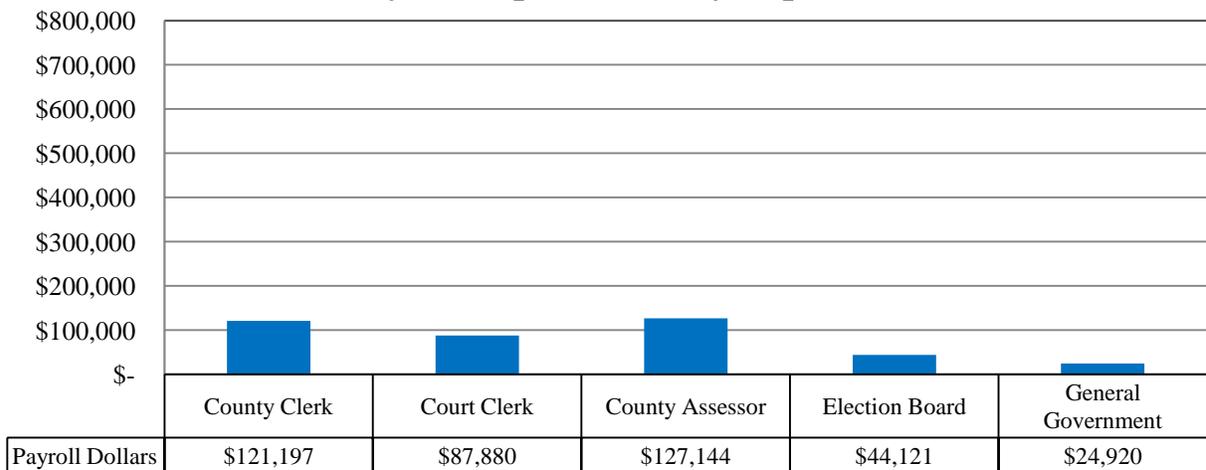
**GRANT COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Payroll Expenditures by Department



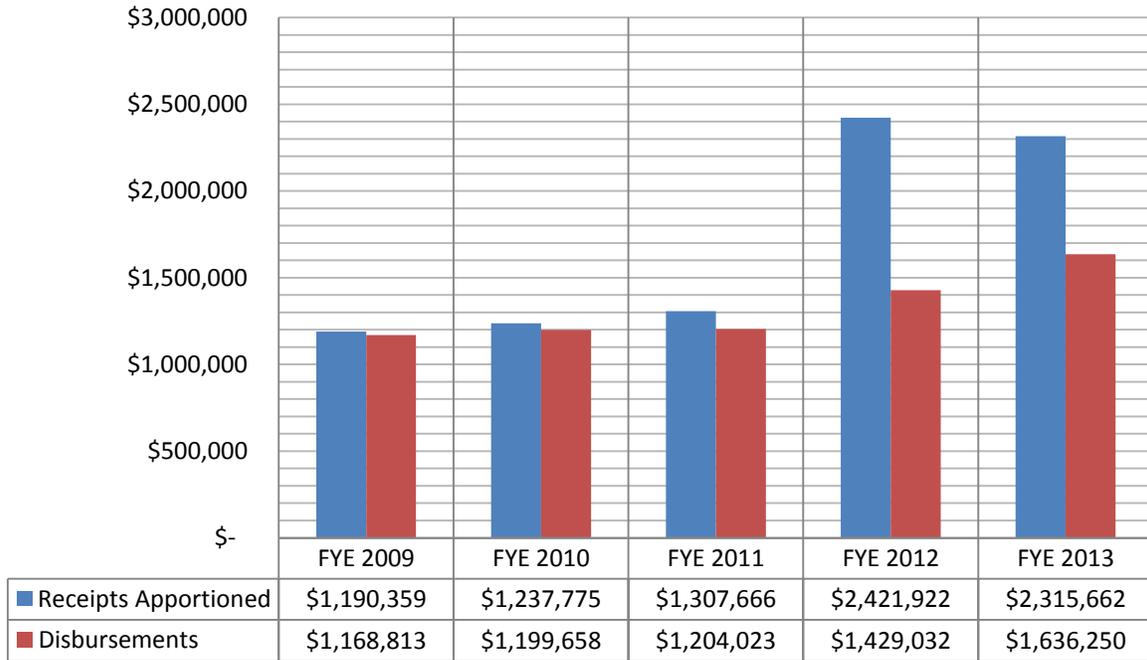
Payroll Expenditures by Department



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

County General Fund

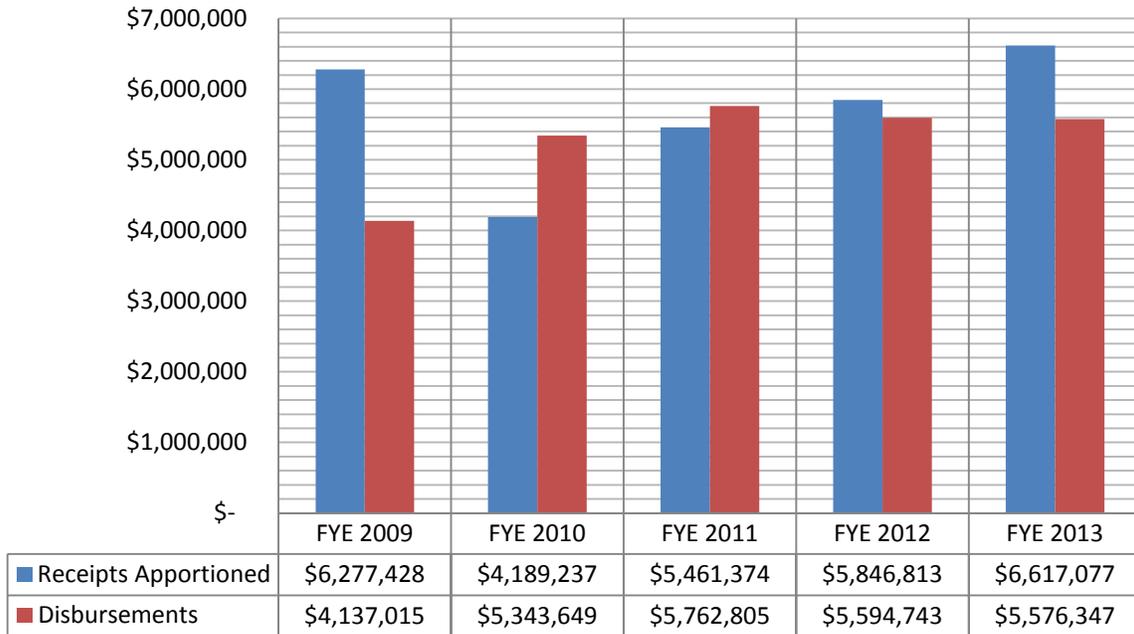
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



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

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
GRANT 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 Grant County, Oklahoma, as of and for the year ended June 30, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Grant 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 Grant County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Grant County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The 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 January 29, 2015, on our consideration of Grant 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 Grant County's internal control over financial reporting and compliance.

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

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

January 29, 2015

REGULATORY BASIS FINANCIAL STATEMENT

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

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 1,318,914	\$ 2,315,662	\$ -	\$ 50,000	\$ 1,636,250	\$ 1,948,326
Highway Cash Fund	2,111,838	6,617,077	284,000	-	5,576,347	3,436,568
County Bridge and Road Improvement	1,178,634	430,050	-	234,000	145,692	1,228,992
County Health Department	375,374	174,086	-	-	115,784	433,676
Sales Tax	2,891,742	3,774,756	-	-	1,905,779	4,760,719
Sales Tax - Fairgrounds Improvement	464,921	934,740	-	-	6,560	1,393,101
Department of Corrections	33,634	136,215	-	-	144,340	25,509
Remaining Aggregate Funds	420,043	266,692	-	-	219,648	467,087
Combined Total - All County Funds	\$ 8,795,100	\$ 14,649,278	\$ 284,000	\$ 284,000	\$ 9,750,400	\$ 13,693,978

The notes to the financial statement are an integral part of this statement.

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Grant 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 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.

Highway Cash Fund – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for state, local and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Health Department – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Sales Tax – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Sales Tax – Fairgrounds Improvement – accounts for the collections and disbursement of the .25% sales tax for the County Fairgrounds Improvement.

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

Department of Corrections – accounts for the collections of state held prisoners and disbursements are for the purpose of maintaining the jail.

C. Basis of Accounting

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

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

D. Budget

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

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

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

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

2. Ad Valorem Tax

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

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

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.

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

The voters of Grant County approved a continuation of a one percent (1%) sales tax on January 10, 2006. This sales tax was established to provide revenue for the County Sheriff, Rural Fire, and Emergency Medical Services to the County through the following twelve entities:

1. Deer Creek Fire Department
2. Grant County Sheriff's Department
3. Hawley Fire Department
4. Lamont Fire Department
5. Manchester Fire Department
6. Medford Emergency Medical Service
7. Medford Fire Department
8. Nash Fire Department
9. Pond Creek Emergency Medical Service
10. Pond Creek Fire Department
11. Emergency Service Association
12. Wakita Fire Department

The voters of Grant County also approved a new ¼ percent (0.25%) sales tax on March 1, 2011. This sales tax was established to provide revenue for the County Fairgrounds improvements.

These funds are accounted for in cash funds as reported on the County's financial statements as Sales Tax and Sales Tax - Fairgrounds Improvement.

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

E. Interfund Transfers

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

- \$50,000 from County General Fund to Highway Cash Fund. No documentation was provided related to this transfer. Further, no documentation was noted in the Board of County Commissioners' minutes to substantiate this transfer of funds.
- \$234,000 from County Road and Bridge Improvement to Highway Cash Fund for bridge projects.

OTHER SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,318,942	\$ 1,318,914	\$ (28)
Less: Prior Year Outstanding Warrants	(20,233)	(20,233)	-
Less: Prior Year Encumbrances	(11,934)	(11,271)	663
Beginning Cash Balances, Budgetary Basis	<u>1,286,775</u>	<u>1,287,410</u>	<u>635</u>
Receipts:			
Ad Valorem Taxes	1,048,873	1,150,011	101,138
Charges for Services	-	102,512	102,512
Intergovernmental Revenues	-	824,930	824,930
Miscellaneous Revenues	7,521	238,209	230,688
Total Receipts, Budgetary Basis	<u>1,056,394</u>	<u>2,315,662</u>	<u>1,259,268</u>
Expenditures:			
District Attorney - State	11,028	7,146	3,882
District Attorney - County	1,626	858	768
County Sheriff	349,495	348,852	643
County Treasurer	102,750	102,402	348
County Commissioners	177,137	167,137	10,000
County Commissioners OSU Extension	19,848	19,716	132
County Clerk	107,353	106,804	549
Court Clerk	90,432	89,617	815
County Assessor	85,408	85,383	25
Revaluation	109,184	107,320	1,864
General Government	730,270	137,417	592,853
Excise Equalization	4,500	3,139	1,361
County Election Expense	52,647	46,198	6,449
Insurance - Benefits	420,370	391,020	29,350
Charity	250	-	250
Recording Account	11,001	8,035	2,966
Library	1,700	1,648	52
Emergency Management	22,842	18,903	3,939
County Audit Budget Account	30,677	30,677	-
Free Fair Budget Account	13,651	13,382	269
Provision for Interest	1,000	-	1,000
Total Expenditures, Budgetary Basis	<u>2,343,169</u>	<u>1,685,654</u>	<u>657,515</u>

Continued on next page

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

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,917,418	\$ 1,917,418
Interfund Transfers:			
Interfund Transfer Out		(50,000)	
Net Interfund Transfers		(50,000)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		20,762	
Add: Current Year Encumbrances		60,146	
Ending Cash Balance		\$ 1,948,326	

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

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 375,207	\$ 375,374	\$ 167
Less: Prior Year Outstanding Warrants	(7,925)	(7,925)	-
Less: Prior Year Encumbrances	(41,924)	(21,768)	20,156
Beginning Cash Balances, Budgetary Basis	325,358	345,681	20,323
Receipts:			
Ad Valorem Taxes	155,312	170,297	14,985
Charges for Services	-	642	642
Intergovernmental Revenues	-	2,185	2,185
Miscellaneous Revenues	-	962	962
Total Receipts, Budgetary Basis	155,312	174,086	18,774
Expenditures:			
County Health Budget Account	480,670	124,034	356,636
Total Expenditures, Budgetary Basis	480,670	124,034	356,636
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	395,733	\$ 395,733
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		33,022	
Add: Current Year Outstanding Warrants		4,921	
Ending Cash Balance		\$ 433,676	

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

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
E-911 Phone Remittance	\$ 183,438	\$ 83,006	\$ 83,255	\$ 183,189
Resale Property	49,596	18,381	25,648	42,329
Sheriff Controlled Dangerous Substance Revolving	2,110	-	-	2,110
Sheriff Commissary	2,818	2,369	2,200	2,987
County Assessor Revolving	26,416	10,832	6,075	31,173
Sheriff Service Fee	7,528	51,377	45,428	13,477
Sheriff Teletype	1,272	1,800	2,800	272
County Clerk Lien Fee	52,386	53,329	24,337	81,378
Treasurer Mortgage Tax Certification Fee	8,170	915	4,297	4,788
Juvenile Detention	177	-	-	177
County Clerk Change Fund	25	-	-	25
County Assessor Visual Inspection	70	-	-	70
Free Fair	-	250	250	-
Civil Emergency Management	56	-	-	56
County Clerk Records Preservation Fee	63,114	27,751	14,207	76,658
CEM-OP Plan Grant	2,851	-	-	2,851
Communication Tower	4,410	-	-	4,410
Local Emergency Planning Committee	9,219	1,965	2,250	8,934
Sheriff Jail Fund	1,611	5,550	3,538	3,623
Courthouse Security	4,776	9,167	5,363	8,580
Combined Total - Remaining Aggregate Funds	\$ 420,043	\$ 266,692	\$ 219,648	\$ 467,087

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

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:

E-911 Phone Remittance – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disposition of sale as restricted by statute.

Sheriff Controlled Dangerous Substance Revolving – accounts for all collections and disbursements from confiscated property and drug related arrests.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor. Excess funds are used for maintenance and operations of the Sheriff's department.

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

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

Sheriff Teletype – accounts for the collection and disbursement of fees for teletype service.

County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by statute.

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

Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of the funds as restricted by statute.

Juvenile Detention – accounts for state funds received for the transport of juveniles to detention facilities and disbursed for the operation of the Sheriff’s office.

County Clerk Change Fund – accounts for cash obtained from the County Clerk’s funds and held in the office for change.

County Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

Free Fair – accounts for all the receipt and disbursement of funds for the Free Fair.

Civil Emergency Management – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

County Clerk Records Preservation Fee – accounts for fees collected for instruments filed with the County Clerk as restricted by statute to be used for preservation of records.

CEM-OP Plan Grant – accounts for the receipt and disbursement of a state grant for the operation of the Civil Emergency Management Program.

Communication Tower – accounts for the collection of fees from local police departments for the use of the Sheriff’s communication tower.

Local Emergency Planning Committee – accounts for the receipt and disbursement of Hazard Material Emergency Preparedness Planning Grant.

Sheriff Jail Fund – accounts for the receipt of state reimbursements and disbursement for the operation of the jail.

Courthouse Security – accounts for the receipt and disbursement of court fees for courthouse security.

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
GRANT 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 Grant County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Grant County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 29, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Grant 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 Grant County's internal control. Accordingly, we do not express an opinion on the effectiveness of Grant 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: 2013-1, 2013-4, and 2013-6.

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: 2013-2 and 2013-11.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-6.

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

Grant County's Responses to Findings

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

January 29, 2015

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013-1 – Inadequate County-Wide Controls (Repeat Finding)

Condition: The County has not addressed all of the components of an Internal Control Framework which consists of the Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Cause of Condition: This condition is a result of the County not being aware of how the process of identifying risk, implementing control activities, communicating pertinent information, and monitoring could positively impact the operations and reporting of the County.

Effect of Condition: This condition does not allow the County to function in the most effective manner possible.

Recommendation: The Oklahoma State Auditor & Inspector (OSAI) recommends that the County design procedures to document their Internal Control Framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps to take to properly communicate pertinent information in a timely manner, and the methodology to monitor the quality of performance over time.

Management Response:

County Commissioner District 1: We will work hard to develop and implement policies and procedures to address the risks and weaknesses in our controls.

County Commissioner District 2: As recommended by the Oklahoma State Auditor & Inspector, the Grant County Officers will work together to outline the importance of internal controls.

County Commissioner District 3: We are going to address all components of our Internal Control Framework to correct to the best of our ability the risks involved.

County Assessor: I believe these issues need to be addressed at the next County Officers meeting.

County Treasurer: I believe all officers should address these issues in our Class A Officers meetings.

County Clerk: My deputies and I will work to identify risks in our office, implement control activities, communicate pertinent information with other offices and the public, and do continuous monitoring of all procedures. I will also work with other officers to implement their controls.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Court Clerk: At our monthly Class A Officer meetings, with the cooperation of the County Commissioners, we will discuss risk management, information and communication, monitoring, and the County Handbook and determine what other areas we need to improve.

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

Finding 2013-2 – Inadequate Internal Controls and Noncompliance Over the Sale of Native Materials (Repeat Finding)

Condition: Upon inquiry of County employees and County Officials, with regard to the collection of revenue, we determined that the County sells native materials from leased shale pits and rock quarries within Grant County, as well as Kay County. The County sells these materials to other counties and companies. The proceeds from these sales are deposited into the Highway Cash Fund. The following internal control weaknesses and noncompliance were noted:

- One employee is responsible for billing, recording, and receiving payment for the sale of native material.
- The weight tickets used to track the sale of native materials are not pre-numbered.
- A test of four days' activity resulting in a sample of seventy-four weight tickets obtained from the rock quarry reflected that two weight tickets had not been recorded in the accounts receivable ledger, from which the companies are billed.
- The County is selling native road material from pits and quarries to private sectors, but not collecting sales tax from the nonexempt purchasers.

Miscellaneous receipts deposited in the Highway Cash Fund under the description of "Shale/Sand/Gravel/Etc." for the fiscal year ended June 30, 2013 which totaled \$1,028,836.

Cause of Condition: Since this is an uncustomary practice for a County, guidelines have not been implemented for the County to sell native materials to the private sector, and collect and remit sales tax appropriately.

Effect of Condition: This activity has resulted in a sales tax liability for the County of which no collections have been made. Additionally, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds when all accounting duties are concentrated to one employee.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Recommendation: OSAI recommends the County design and implement controls over the sale of native material in order to adequately protect against loss and erroneous reporting and comply with applicable sales tax laws as required by the Oklahoma Tax Commission, which require the County to collect and remit sales tax on the sale of native materials to nonexempt entities.

Management Response:

Chairman of the Board of County Commissioners: The County has obtained a sales tax number from the Oklahoma Tax Commission. The foreman for District 3 is now responsible for filing monthly sales tax reports and remitting sales tax on the proceeds of sales from the rock quarry to the Oklahoma Tax Commission.

County Commissioner District 3: We will implement better internal controls to the issues of records, billing, weight tickets, and the sale of native material.

Criteria: Due to the unusual practice of the County selling native material to private sectors, we requested information from the Oklahoma Tax Commission. On October 5, 2012, we received a letter from a tax policy analyst with the Oklahoma Tax Commission.

Below is the response to our question, “*Is the County required to charge and remit sales tax for the sale of native material?*”

“While the County is exempt from paying sales tax on its purchases, it is not exempt from the requirement to collect, report, and remit sales tax on its sales of tangible personal property. Additionally, no provision exists in the Sales Tax Code that generally exempts sales of native materials, i.e., shale or gravel. Therefore, unless the County is selling to a sales tax exempt entity or to an entity claiming an exempt use such as manufacturing, agricultural, production, or resale, the County is required to collect state and any applicable local sales tax on its sales of native road materials and remit same to the Tax Commission.”

Finding 2013-4 – Inadequate Segregation of Duties Over the County Treasurer’s Collection Process (Repeat Finding)

Condition: The County Treasurer has two part-time deputies that work in the office. Upon inquiry and observation of the County Treasurer’s collection process, we noted the following weakness:

- One employee has the opportunity to issue receipts, prepare the deposits, reconcile receipt reports to the collections, and perform the monthly bank reconciliation.

Cause of Condition: Procedures have not been designed and implemented with regard to controls over all aspects of the receipting and cash balancing processes due to officials being unaware of the need for such procedures.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Recommendation: OSAI recommends the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing and reviewing deposits.
- Taking deposits to the bank.
- Maintaining accounting ledgers and reconciling the bank statements.
- Mitigating controls such as another deputy reviewing and approving bank deposits would also provide safeguards over County deposits.

Management Response:

County Treasurer: It is my goal to implement segregation of duties in the best possible manner available for an office our size while still allowing all deputies to be cross-trained to better serve the taxpayer. That being said, I will review my policies and determine where improvements can be made to increase internal controls for an office this size.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds. Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one person should have the ability to authorize transactions, have physical custody of funds, and record transactions.

Finding 2013-6 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding)

Condition: We noted the following weaknesses regarding the disbursement process:

- The duties of purchasing are not adequately segregated. The Purchasing Clerk is responsible for encumbering funds, issuing checks, and has physical custody to deliver checks.
- The duties of processing payroll are not adequately segregated. The Payroll Clerk is responsible for enrolling new employees and entering monthly payroll information into the computer system.
- Four of fifty-one randomly selected purchase orders tested were not timely encumbered.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Fund	Purchase Order Number	Warrant Number	Purpose
Sales Tax Ambulance Pond Creek	3335	29	Construction
Sales Tax Ambulance Pond Creek	3672	30	Foam insulation
Sheriff Service Fee	3046	146	Medication
Sales Tax Sheriff	2719	103	Maintenance

- An additional review of fifty-three purchase orders from the Highway Cash Fund reflected the following:

Fund	Purchase Order Number	Warrant Number	Exception
Highway Cash Fund	2083	1302	Purchase order says paid with warrant 1307
Highway Cash Fund	1529	1549	Original purchase order not found

Cause of Condition: Procedures with regard to segregating the duties over the purchasing and payroll processes, encumbering funds, and documenting purchases orders have not been designed due to the officials being unaware of the necessity of such procedures.

Effect of Condition: These conditions resulted in noncompliance with purchasing statutes regarding properly encumbering funds, a purchase order not being located, a misidentified purchasing order, and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that the processes regarding disbursements be adequately segregated. Additionally, OSAI recommends the following key accounting functions of the payroll process be adequately segregated.

- Posting new hires and/or making payroll changes to the payroll system.
- Maintaining personnel files.
- Preparing end of month payroll reports.

Further, OSAI recommends the following in accordance with 19 O.S. § 1505C:

- County funds should be encumbered prior to the receipt of goods and/or services.

Finally, OSAI recommends that due care be taken in the identification and location of purchase orders, so as to ensure that disbursement documentation is accurate.

Management Response:

County Commissioner District 1: We will segregate duties as much as possible with our staff size.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Commissioner District 3: We will take extra precautions to control the segregation of duties.

County Clerk: Following OSAI recommendations key accounting functions of payroll and disbursements will be adequately segregated. However due to limited personnel we will also implement compensating controls such as a second reviewing and signing off on processes and utilizing cross-training.

Sheriff: I will work to ensure that purchase orders are encumbered prior to purchase.

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

Finding 2013-11 – Inadequate Internal Controls Over Road Crossing Permit Revenue

Condition: As part of our audit of material sources of revenue, we determined the County issued road crossing permits for the placement of temporary or permanent water lines parallel to county roads. During the 2013 fiscal year, the County received \$1,216,300.00 for these permits. Based upon inquiry of County employees and review of records, the following weaknesses were noted:

- The road crossing permits were not sequentially numbered.
- The initiation and filing of the permits, and the receipting of fees were performed by the same employee.
- There was no evidence of monitoring by the County Commissioners of the road crossing permit revenue process to ensure the completeness and accuracy of the amount received and recorded.

Cause of Condition: The County Commissioners have not designed procedures to ensure proper segregation of duties with regard to road crossing permit revenue.

Effect of Condition: These conditions could result in undetected errors or misappropriation of funds.

Recommendation: OSAI recommends that the County design and implement procedures to provide for proper segregation and oversight of revenue generated by road crossing permits.

Management Response:

County Commissioner District 1: The County Commissioners will work with our Executive Assistant, County Treasurer, and County Clerk to develop a procedure to handle our road crossing permits.

County Commissioner District 2: As recommended by the Oklahoma State Auditor & Inspector, we will work with offices of the County Clerk, County Treasurer, and Commissioners' Executive Assistant to design procedures for proper segregation of duties and oversight of revenue generated by road crossing permits.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Commissioner District 3: We will work with our Executive Assistant, County Treasurer, and County Clerk to better handle road crossing permits.

County Clerk: We now maintain a log book of road crossing permits.

County Treasurer: My office receives the permit check from the County Commissioners' Assistant. We issue a miscellaneous receipt for the amount of the check and make a copy of the miscellaneous receipt for the Commissioners and for the County Clerk.

Criteria: Effective internal controls include measures to ensure that all revenue is recorded on the financial records. These measures would include sequential numbered permits, segregation of duties, and monitoring of processes by management.

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 2013-7 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory and Consumable Items Inventory

Condition: Upon inquiry of County officials and employees, and observation of records in regard to the fixed assets inventory process, the following weaknesses were noted:

County-Wide:

- The Board of County Commissioners' minutes did not reflect all equipment information for disposals.
- The County officers did not file fixed assets inventory records for their offices with the County Clerk.
- Fixed assets inventory records were not on file with each officer for all equipment. Of the records located, the bottom portion of the record was not correctly completed for disposed equipment.

County Commissioner District 1:

- District 1 did not perform a formal annual physical inventory of fixed assets.
- A test of sixteen fixed assets inventory items for District 1 reflected one item that did not have the correct County identification number affixed.
- There were resolutions to surplus equipment and dispose of the same equipment on the same day when the equipment had been sold previous to this date.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

- One item (D464.05) was declared as surplus and noted in the minutes as an auction item in March, 2013. The resolution to dispose of the equipment was signed in May 2013, but not mentioned in the minutes.

County Commissioner District 3:

- District 3 did not perform a formal annual physical inventory of fixed assets.
- A test of twenty-two fixed assets inventory items for District 3 reflected that eleven items were not properly identified as “Property of Grant County” on both sides and two items that did not have the correct County identification number affixed.

County Sheriff:

- The Sheriff’s fixed assets inventory records were not current; therefore, we were unable to perform tests for this office.

County Clerk:

- A test of eleven fixed assets inventory items for the County Clerk reflected that one item was not on the County Clerk’s inventory listing.

Court Clerk:

- A test of ten fixed assets inventory items for the Court Clerk reflected that one item with an incorrect inventory number was attached to piece of equipment.

County Assessor:

- The County Assessor did not perform a formal annual physical inventory of fixed assets.

Upon inquiry of County officials and employees, and observation of records in regard to the consumable inventory process, the following weaknesses were noted:

County Commissioner District 1:

- A test of seven consumable inventory items reflected that three inventory records were not in agreement with the physical count.
- A detailed fuel log is not maintained to accurately reflect the amount of fuel used.

County Commissioner District 2:

- A test of three consumable inventory items reflected that one inventory record was not in agreement with the physical count.

County Commissioner District 3:

- A test of six consumable inventory items reflected that two inventory records were not in agreement with the physical count.
- A fuel log is used by employees to record fuel used at the district barn and reconciled to fuel data obtained by measuring the fuel in the tanks on a daily basis; however, variances on fuel are not investigated.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cause of Condition: Procedures have not been designed and implemented by County officers to perform and document annual fixed assets inventory counts and monthly consumable inventory items to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored and equipment is not properly marked with County identification numbers and “Property of Grant County” opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventory items are not adequately monitored and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors could result.

Recommendation: OSAI recommends that management implement internal controls to ensure compliance with Title 69 O.S. § 645, 19 O.S. § 1502(A)(1), 19 O.S. § 421 and 19 O.S. § 1504A.

Management Response:

Fixed Assets:

County Commissioner District 1: We will check inventory and assign individual numbers annually.

County Commissioner District 3: We will implement internal controls to ensure we are in compliance with fixed assets inventory.

County Clerk: The County Clerk will start using the inventory software. Currently all County Clerk inventory is properly marked and accounted for. I will assure all inventory requirements will be met in the County Clerk’s office.

County Assessor: We will perform an inventory count on a given date and have someone independent from our office confirm our inventory. We will give a copy of inventory to the County Clerk.

Court Clerk: Our inventory was corrected the moment it was brought to our attention. We now have gone over our entire inventory to verify that everything is up to date.

County Sheriff: This area of the office was in such terrible shape when I took office in January of 2013. I have it on my to-do list and will work to get it completed.

Consumable Inventory:

County Commissioner District 1: We will perform a consumable audit periodically, so as to ensure a more accurate inventory.

County Commissioner District 2: As recommended by the Oklahoma State Auditor & Inspector, I will work with the District Executive Assistant to be sure that the most current consumable inventory record is given to the Auditor when the on-site visual audit inspection is to be completed.

County Commissioner District 3: We will implement internal controls to ensure we are in compliance with our consumable usage.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Finding 2013-9 – Inadequate Internal Controls and Noncompliance Over the Bidding Process

Condition: The review of all purchase orders paid to the same vendor reflected that two purchase orders were issued to the same vendor for bunker coats and pants, and were dated approximately four weeks apart. These purchase orders totaled \$19,600.00; however, the items were not competitively bid by the County Clerk’s office.

Vendor	Purchase Order Date	Purchase Order Number	Fund	Amount	Purpose
Chief Fire & Safety Co.	10/29/12	1374	Sales Tax (Deer Creek Fire Department)	\$9,800	Bunker coats and pants
Chief Fire & Safety Co.	12/3/12	1778	Sales Tax (Deer Creek Fire Department)	\$9,800	Bunker coats and pants

Cause of Condition: Management has not designed and implemented procedures to ensure that all purchases which exceed \$10,000 are competitively bid prior to purchasing the items.

Effect of Condition: This condition resulted in noncompliance with the state statute and items not being competitively bid for the lowest and/or best price.

Recommendation: OSAI recommends the County Commissioners implement procedures to ensure statutory compliance with Title 19 O.S. § 1505B, which requires that items over \$10,000 be competitively bid. As of May 6, 2014, the current bid limit is \$15,000.

Management Response:

County Commissioner District 1: The County Commissioners will work with the County Clerk to ensure that the entities that receive sales tax follow the purchasing laws.

County Commissioner District 2: As recommended by the Oklahoma State Auditor & Inspector, the Board of County Commissioners will request that all departments receiving sales tax funds attend a “Purchasing Class” to ensure statutory compliance with competitive bid procedures.

County Commissioner District 3: As recommended we will try to communicate better with all departments to follow purchasing laws.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County Clerk: The office personnel will attend CTP Purchasing Training. I will encourage all other County entities to attend the same training. Appropriate controls will be implemented and utilized to assure the bidding process is properly followed.

The Grant County Clerk's Office will make every effort to ensure that duties performed in this office are in compliance with Oklahoma Statutes and completed with the greatest of care to avoid mistakes and errors.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases are in compliance with 19 O.S. § 1505B and are competitively bid for those purchases that exceed \$10,000.

Finding 2013-10 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

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

- Bank reconciliations were not being performed on a monthly basis on the Inmate Trust Fund Checking Account.
- The County Sheriff's office did not make daily deposits of inmate trust collections.
- Profit from inmate sales has not been transferred from the Inmate Trust Checking Account to the County Sheriff's Commissary Fund.
- The County Sheriff has not filed an Annual Commissary Report with the Board of County Commissioners.

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

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

Recommendation: Regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, OSAI recommends that the County Sheriff maintain Inmate Trust Fund Checking Account monies in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmates' trust account balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. The County Sheriff should comply with state statutes regarding the Sheriff Commissary Fund with the County Treasurer.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Management Response:

County Sheriff: When I took office in January, 2013, this was an area that had no controls at all. I now have segregated the duties and have controls in place. Reconciliation has now been done, and we are close to knowing an actual profit amount which will allow for the transfer of funds into the Sheriff Commissary Fund.

Daily deposits will be made and monthly reconciliations will be performed to ensure the appropriate amount to be transferred into the Commissary Fund. I will also file an Annual Commissary Report with the Board of County Commissioners.

Criteria: Title 19 O.S. § 180.43D outlines the procedures for the County Sheriff to establish a Sheriff Commissary Fund and accounting procedures for this fund and filing an Annual Commissary Report with the Board of County Commissioners by January 15, of the following calendar year. Further, Title 19 O.S. § 180.43 provides guidance in accounting for Inmate Trust monies deposited and expended from the Inmate Trust Fund Checking Account.



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

WWW.SAI.OK.GOV