

COUNTY AUDIT

GRANT COUNTY

For the fiscal year ended June 30, 2011



*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, 2011**

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Oklahoma State Auditor & Inspector

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

September 30, 2013

TO THE CITIZENS OF
GRANT COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grant County, Oklahoma for the fiscal year ended June 30, 2011. 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 a long horizontal stroke at the end.

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

**GRANT COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**GRANT COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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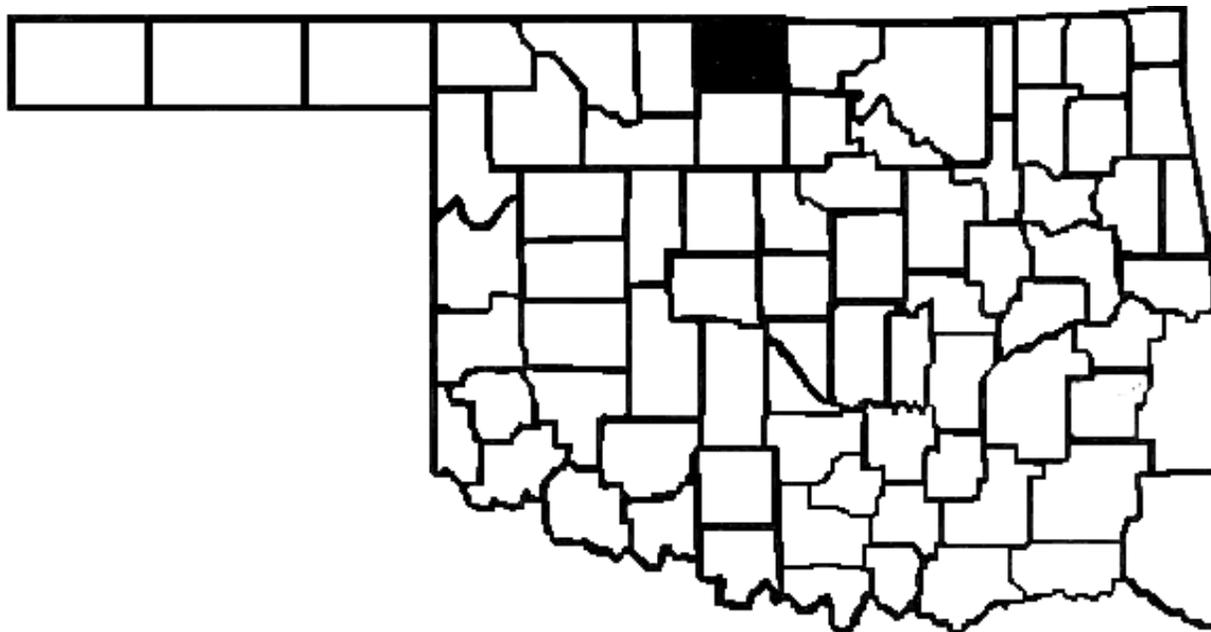
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**GRANT COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**



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 – 4,317
(2009 est.)

Farms – 847

Land in Farms – 633,052 Acres

Primary Source: Oklahoma Almanac 2011-2012

**GRANT COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Roland Hula

County Treasurer

Penny Dowell

Court Clerk

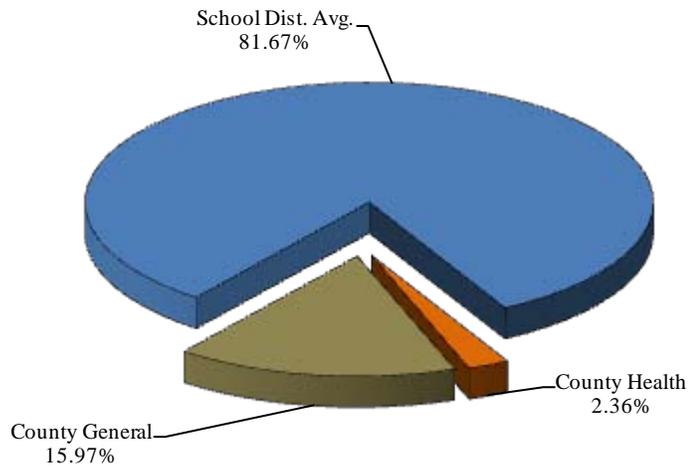
Deana Kilian

District Attorney

Michael Fields

**GRANT COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

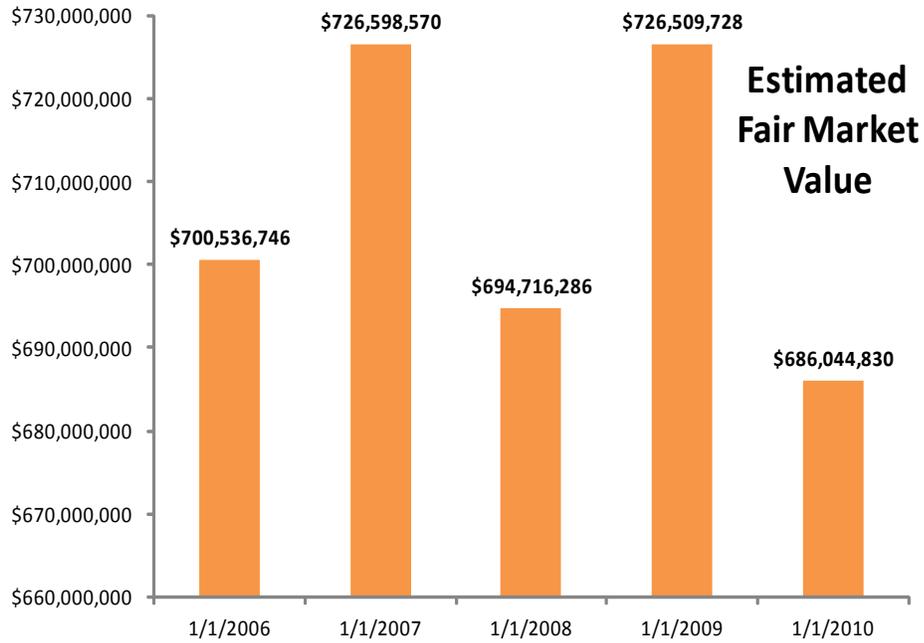
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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	10.13									
County Health	1.50									
		Medford	I-54	10.13	1.50	4.05	35.35	5.05	6.40	62.48
		Pond Creek	I-90	10.13	1.50	4.05	35.79	5.11	12.83	69.41
		Wakita	I-33	10.13	1.50	4.05	35.40	5.06	1.85	57.99
		Deer Creek - Lamon	I-95	10.13	1.50	4.05	35.40	5.06	7.52	63.66
		Timberlake	I-93	10.13	1.50	4.05	35.70	5.10	7.28	63.76
		Billings	JT-2	10.13	1.50	4.05	35.00	5.00	7.09	62.77
		Kremlin	JT-18	10.13	1.50	4.05	35.21	5.03	8.02	63.94

**GRANT COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

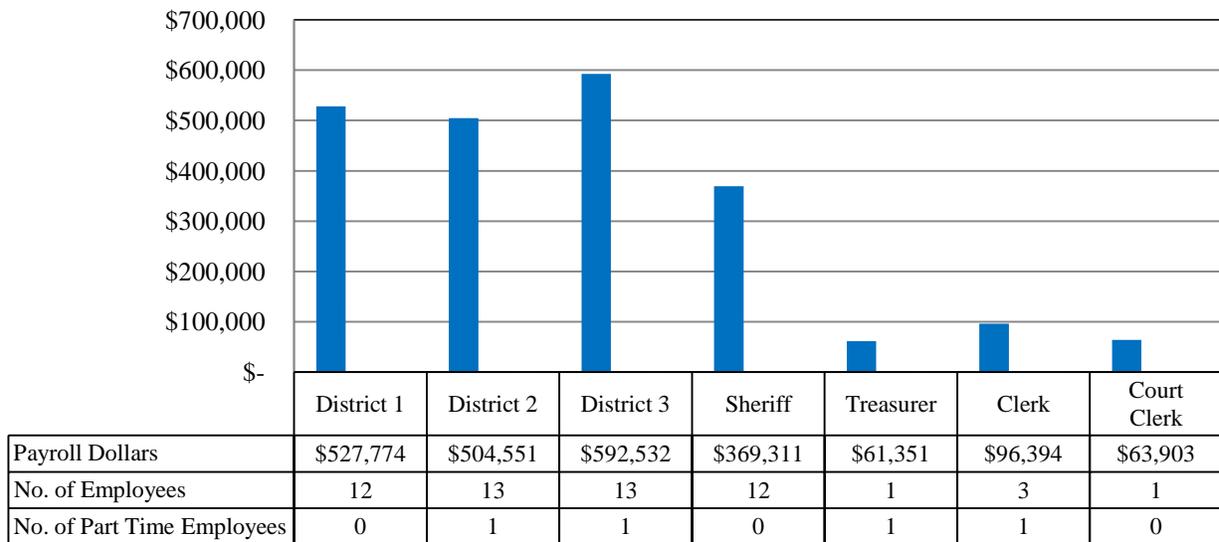
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$36,444,264	\$18,886,316	\$38,979,657	\$1,319,171	\$92,991,066	\$686,044,830
1/1/2009	\$43,962,701	\$15,489,207	\$38,377,707	\$1,324,050	\$96,505,565	\$726,509,728
1/1/2008	\$40,577,508	\$15,366,321	\$37,855,944	\$1,317,490	\$92,482,283	\$694,716,286
1/1/2007	\$45,321,245	\$14,254,218	\$37,705,864	\$1,361,328	\$95,919,999	\$726,598,570
1/1/2006	\$42,110,260	\$14,412,989	\$37,572,266	\$1,324,120	\$92,771,395	\$700,536,746



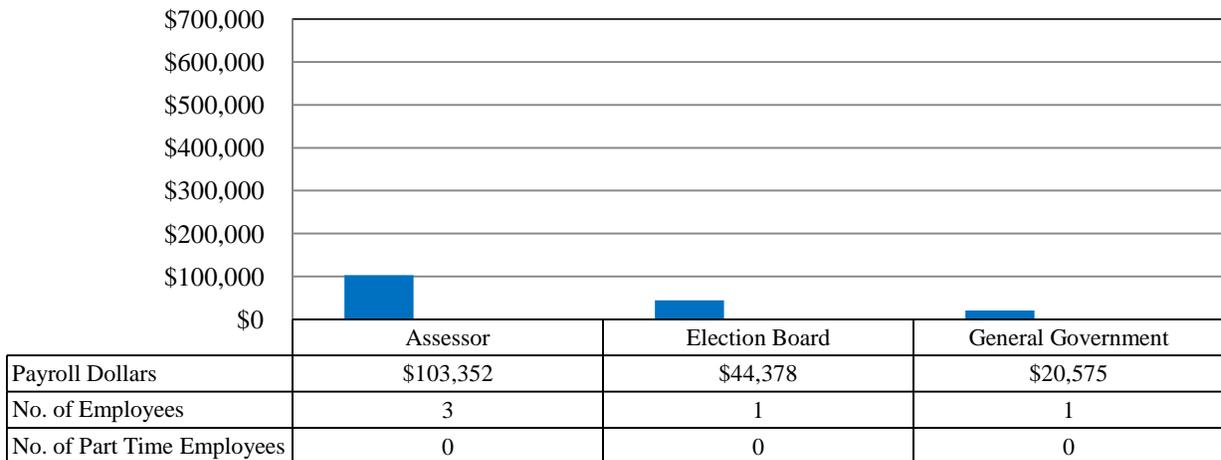
**GRANT COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011.

Payroll Expenditures by Department



Payroll Expenditures by Department



**GRANT COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011**

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

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, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Grant County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Grant County as of June 30, 2011, or changes in its financial position for the year then ended.

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, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. The remaining 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. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, 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 audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

September 23, 2013

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, 2011

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 222,381	\$ 1,307,666	\$ 200,000	\$ 200,000	\$ 1,204,023	\$ 326,024
Highway Cash Fund	1,630,631	5,461,374	453,758	-	5,762,805	1,782,958
County Bridge and Road Improvement	-	1,269,030	-	453,758	49,294	765,978
County Health Department	191,761	142,351	-	-	115,061	219,051
Sales Tax	946,494	784,091	-	-	376,351	1,354,234
E-911 Phone Remittance	173,217	73,648	-	-	63,584	183,281
Department of Corrections	17,419	170,886	-	-	188,912	(607)
Remaining Aggregate Funds	156,063	208,477	-	-	107,748	256,792
Combined Total - All County Funds	\$ 3,337,966	\$ 9,417,523	\$ 653,758	\$ 653,758	\$ 7,867,778	\$ 4,887,711

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, 2011**

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.

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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Department of Corrections – accounts for the collection 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 on a regulatory basis. 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).

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.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

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

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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. 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 12 entities:

1. Deer Creek Fire Department
2. Grand 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. Wakita Emergency Medical Service
12. Wakita Fire Department

E. Interfund Transfers

Interfund transfers consist of a transfer of funds to the County General Fund from the Protest Tax Fund in the amount of \$200,000 to cover non-payable warrants issued from the General Fund.

The \$200,000 was transferred out of the County General Fund back to the Protest Tax Fund after adequate ad valorem tax collections were apportioned to cover any additional warrants issued.

**GRANT COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

There was an additional interfund transfer consisting of a transfer from the County Bridge and Road Improvement Fund to reimburse County Highway Cash for expenditures on bridge projects in the amount of \$453,758.

F. Special Items

Investigative Audit

At the request of the District Attorney, the State Auditor and Inspector's Office conducted a special investigative audit concerning Grant County Sheriff's Office. The report covered the period of July 1, 2009 through October 1, 2012, and was published on August 20, 2013. The results of this audit would not have a material effect on the financial statement.

OTHER SUPPLEMENTARY INFORMATION

GRANT 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, 2011

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 222,381	\$ 222,381	\$ -
Less: Prior Year Outstanding Warrants	(29,156)	(29,156)	-
Less: Prior Year Encumbrances	(8,722)	(8,571)	151
Beginning Cash Balances, Budgetary Basis	<u>184,503</u>	<u>184,654</u>	<u>151</u>
Receipts:			
Ad Valorem Taxes	856,363	910,857	54,494
Charges for Services	30,500	110,289	79,789
Intergovernmental Revenues	206,373	209,733	3,360
Miscellaneous Revenues	28,265	76,787	48,522
Total Receipts, Budgetary Basis	<u>1,121,501</u>	<u>1,307,666</u>	<u>186,165</u>
Expenditures:			
District Attorney - State	5,500	5,222	278
District Attorney - County	2,871	2,740	131
County Sheriff	288,361	279,665	8,696
County Treasurer	77,705	75,040	2,665
County Commissioners OSU Ext.	17,500	17,422	78
County Clerk	88,613	88,565	48
Court Clerk	64,903	64,805	98
County Assessor	71,554	67,424	4,130
Revaluation of Real Property	88,020	81,672	6,348
General Government	166,716	141,971	24,745
Excise-Equalization Board	4,200	2,957	1,243
County Election Expense	58,145	53,650	4,495
Insurance - Benefits	319,211	301,355	17,856
Charity	250	-	250
Recording Account	10,002	9,613	389
Library	850	844	6
County Audit Budget Account	27,702	18,899	8,803
Free Fair Budget Account	10,401	10,260	141
Total	<u>1,302,504</u>	<u>1,222,104</u>	<u>80,400</u>
Provision for Interest on Warrants	3,500	1,888	1,612
Total Expenditures, Budgetary Basis	<u>1,306,004</u>	<u>1,223,992</u>	<u>82,012</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	268,328	<u>\$ 268,328</u>
Operating Transfers:			
Operating Transfers In		200,000	
Operating Transfers Out		(200,000)	
Total Operating Transfers		<u>-</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		48,860	
Add: Current Year Reserves		8,836	
Ending Cash Balance		<u>\$ 326,024</u>	

**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, 2011**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 191,762	\$ 191,761	\$ (1)
Less: Prior Year Outstanding Warrants	(12,588)	(12,588)	-
Less: Prior Year Encumbrances	(19,373)	(17,165)	2,208
Beginning Cash Balances, Budgetary Basis	159,801	162,008	2,207
Receipts:			
Ad Valorem Taxes	126,806	135,143	8,337
Charges for Services	-	1,955	1,955
Intergovernmental	-	14	14
Miscellaneous Revenues	-	5,239	5,239
Total Receipts, Budgetary Basis	126,806	142,351	15,545
Expenditures:			
County Health Budget Account	286,607	99,463	187,144
Total Expenditures, Budgetary Basis	286,607	99,463	187,144
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	204,896	\$ 204,896
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		5,416	
Add: Current Year Outstanding Warrants		8,739	
Ending Cash Balance		\$ 219,051	

**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, 2011**

	Beginning			Ending
	Cash Balances	Receipts		Cash Balances
	<u>July 1, 2010</u>	<u>Apportioned</u>	<u>Disbursements</u>	<u>June 30, 2011</u>
Remaining Aggregate Funds:				
Sheriff Service Fee	\$ 6,272	\$ 45,461	\$ 23,596	\$ 28,137
Resale Property	55,932	16,147	18,449	53,630
County Clerk Records Preservation Fee	41,010	34,449	20,145	55,314
County Clerk Lien Fee	6,964	48,020	18,176	36,808
CBRI 103 Bridges Only	-	30,164	6,904	23,260
County Assessor Revolving	11,646	17,873	6,846	22,673
Courthouse Security	8,747	5,159	7,028	6,878
Sheriff Jail Fund	1,099	3,934	2,041	2,992
Sheriff Teletype	297	2,550	2,450	397
Sheriff Controlled Dangerous Substance Revolving	-	2,110	-	2,110
Local Emergency Planning Committee	7,620	1,600	453	8,767
Treasurer Mortgage Tax Certification Fee	8,912	1,010	1,660	8,262
County Assessor Visual Inspection	70	-	-	70
Juvenile Detention	177	-	-	177
Civil Emergency Management	56	-	-	56
CEM-OP Plan Grant	2,851	-	-	2,851
Communication Tower	4,410	-	-	4,410
Combined Total - Remaining Aggregate Funds	<u>\$ 156,063</u>	<u>\$ 208,477</u>	<u>\$ 107,748</u>	<u>\$ 256,792</u>

**GRANT COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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:

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

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

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

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

CBRI 103 Bridges Only – accounts for state receipts and disbursement for the purpose of improving county bridges.

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

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

Sheriff Jail Fund – accounts for the collection and disbursement of receipts for the operation of the jail.

**GRANT COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

Local Emergency Planning Committee – accounts for the receiving and expending of Hazard Material Emergency Preparedness Planning Grant.

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.

County Assessor Visual Inspection – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

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.

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

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.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA1775	\$ 62,114
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA1803	443,930
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA1917	<u>2,661</u>
Total U.S. Department of Homeland Security			<u>508,705</u>
Total Expenditures of Federal Awards			<u>\$ 508,705</u>

**GRANT COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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 the combined totals—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, 2011, which comprises Grant County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated September 23, 2013. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with 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, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grant County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. *2011-1, 2011-2, 2011-4, and 2011-10.*

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 in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 2011-7, 2011-11, 2011-12, and 2011-18.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grant County's financial statement is free of 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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-7.

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

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

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



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

September 23, 2013



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
GRANT COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Grant County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Grant County's major federal program for the year ended June 30, 2011. Grant County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Grant County's management. Our responsibility is to express an opinion on Grant County's compliance based on our audit.

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

In our opinion, Grant County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-15, 2011-16, and 2011-17 to be material weaknesses.

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

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

September 23, 2013

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SECTION 1—Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: \$300,000

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

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Finding 2011-1—Inadequate County-Wide Controls (Repeat)

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

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

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

County Treasurer: During the meeting with the audit supervisor, we became more aware of how crucial it is to develop monitoring to ensure quality of performance in each office. I understand teamwork between elected officials will be imperative to discuss and implement safeguards of the County finances and services. We, as officials, need to raise the bar and encourage our deputies to do the same. Leading by example will be a priority in my office. In the above referenced meeting, it was also discussed that the County Clerk, District 1 County Commissioner, and I will encourage officers to develop steps to prioritize and address the risks mentioned in this audit.

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

Board of County Commissioners: The Board plays a major role in setting strategy; formulating objectives; allocating resources; and providing guidance, direction, and accountability for County Officers. Therefore, the Board, along with County Officers will work together to begin to design written policies and procedures to identify and address county-wide controls for risk management and monitoring.

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.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011-2—Inadequate Internal Controls Over Information Technology Systems (Repeat)

Condition: Upon inquiry of the County Clerk, County Treasurer, County Assessor, County Sheriff, County Commissioners, and the Court Clerk with regard to information technology systems, the following was noted:

- The following offices do not have a written Disaster Recovery Plan:
 - County Sheriff
 - County Commissioners
- The Disaster Recovery Plan is not up-to-date for these offices:
 - Court Clerk
 - County Assessor
- County Clerk:
 - Policies and procedures have not been established; documented and followed that would prevent loss of data, unauthorized use, and potential lawsuits.

Cause of Condition: Procedures have not been designed and implemented to prepare a formal Disaster Recovery Plan.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business continue uninterrupted.

Recommendation: OSAI recommends the County officials develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster.

Management Response:

Board of County Commissioners: Upon recommendation from the State Auditor’s Office, the Boards’ Executive Assistant has prepared a “Disaster Recovery Plan” template. He then compiled the information for the Commissioners’ office in the courthouse and each District Executive Assistant compiled the information for their respective district offices.

County Clerk: The land recorder computer is backed-up off-site every night. In the event that the computer crashed (which it has), the computer vendor was contacted, and all information was replaced in a timely manner.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The County Clerk has the server to the purchasing computer and the payroll computer. The County Clerk's computer must be on before the purchasing computer will work. The Clerk's hard drive allows access to the compact disc and floppy disc ports, so by having it locked away, would be inconvenient when these options are needed. The County Clerk will give some thought to a solution for protecting the data, unauthorized use, and having the hard drive be user friendly. Password changes will not be a problem to correct. The County Clerk's computer is not used by any other person in the office. When the purchasing computer or land record computer is used, the current user will log in with their password.

County Sheriff: As of January 3, 2013, when I first took office as Sheriff, this was the condition that the office was in. I will work toward correcting this finding.

Court Clerk: Although I could not locate my copy of the Disaster Recovery Plan on file in office, I have revised a new one and it is now in place.

County Assessor: I have updated the names, contacts, and phone numbers listed in the Disaster Recovery Plan. Copies have been distributed to individuals and organizations as suggested.

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

Finding-2011-4—Inadequate Internal Controls Over the County Treasurer's Receipting and Accounting Process (Repeat)

Condition: Based on inquiry of the County Treasurer and her staff, observation and tests of the receipting and accounting process, we noted the following control weaknesses:

- One employee performs the duties of issuing receipts, printing the end of day reports, preparing the deposit, preparing the daily report, and preparing the general ledger.
- All employees operate from the same cash drawer.
- There is no documentation of the independent review of the reconciliations.

Additionally, we noted that an "E Deposit" bank account for the deposit of electronic payments is not included on the general ledger. This account has a balance of less than \$1.00, but has activity during each month.

Cause of Condition: In order to provide prompt service to the citizens of Grant County and for ease of operations, the County Treasurer's office utilizes all employees to issue receipts. Additionally, due to the limited number of personnel, one individual is sometimes responsible for all key functions of the office. Further, the Treasurer was unaware that the electronic deposit bank account should be included on the general ledger.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, and
- Maintaining accounting ledgers and reconciling the bank statements.

In addition, OSAI recommends establishing a system of controls to adequately protect the collections of the Treasurer's office, which include but are not limited to the following:

- Establishing separate cash drawers for each employee receiving cash,
- Documenting the review of bank reconciliations by someone other than the preparer of the reconciliation, and
- Recording activity for each bank account on the general ledger.

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 approve accounting functions.

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 taxpayers. That being said, each deputy is now keeping a cash bag on a daily basis. Each day, when I arrive before the deputies arrive, I count the money in both bags for accuracy and accountability.

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.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding-2011-7—Inadequate Controls and Noncompliance Over Purchasing Procedures (Repeat)

Condition: Upon inquiry of County officials and employees with regard to the purchasing process and observation and test of purchase orders, we determined that the following weaknesses exist in the County purchasing procedures:

- In some cases, the employee that orders the goods and services can also sign the receiving report as a designated receiving agent for the department.
- Signature stamps have not been adequately safeguarded from possible misuse and have been used by someone other than the County official.
- Two County Highway Fund purchase orders of the twenty-eight purchase orders tested were not timely encumbered.

Cause of Condition: Procedures with regard to purchasing procedures, including the encumbrance of funds, have not been designed and implemented.

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

Recommendation: OSAI recommends that only official requisitioning officers be allowed to requisition goods and/or services. Signature stamps should be maintained in a secure location and only used by the person to whom the stamp belongs. Officials who utilize signature stamps should ensure that signature stamps are adequately safeguarded from unauthorized use. We also recommend that all purchases be encumbered prior to ordering goods or services in accordance with 19 O.S. § 1505.C.2.

Management Response:

County Clerk: Blanket purchase orders will be encumbered each month for fuel. The sales tax accounts, mainly fire departments, have been instructed numerous times on proper purchasing procedures. The County Clerk will consult with the Commissioners for their support in denying invoices that have not been properly encumbered. The County Clerk will make every effort to avoid this in the future through education of the entities. The signature stamps are kept in the County Clerk's office in a wooden box in a locked a drawer. The drawer is opened in the morning because there are other items in the drawer needed throughout the day. The signature stamps cannot be seen when the drawer is open. We are taking steps to remove the Commissioners' signature stamps from the County Clerk's office to be locked up elsewhere. The requisitioning officer for each office will order the needed goods after they have encumbered the funds with the Purchasing Agent. When the goods are received they are verified by the receiving officer for that office. All invoices and pertinent documentation will then be taken to the Purchasing Agent to prepare the purchase order for payment. All purchase orders are reviewed individually during a commissioner meeting and checked for any discrepancies or missing signatures.

Board of County Commissioners: Blanket purchase orders will be encumbered for monthly fuel expenses. Formal notices will be sent to each of the entities in Grant County that are receiving sales tax funds to request that requisitioning officers and receiving agents attend a purchasing class so they are

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

familiar with Oklahoma State purchasing requirements. Each of the Commissioners will take physical possession and then secure their signature stamp in individually locked locations that will be accessible only by said Commissioner. District requisitioning officers and receiving agents have been reviewed and some reassigned so that adequate segregation of duties can be achieved. Each officer and agent has been instructed in what the procedures, duties and responsibilities for that position require. The Board also recommends they attend a purchasing class.

County Treasurer: My signature stamp is locked and secure at all times with the exception of registering warrants once a week. My new office policy will be: when warrants are registered, the deputy will initial the registered warrant report on file and give the warrants to me to be stamped with my signature stamp.

Criteria: 19 O.S. § 1505.C.2 requires that encumbrances be made prior to the ordering or receiving of goods and services. Additionally, accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of procedures is the safeguarding of assets. Procedures 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-2011-10—Concentration of Duties Within the Payroll Process (Repeat)

Condition: Upon inquiry of the County Clerk and employees, and observation of documentation, we determined that the payroll duties are concentrated within one employee, as follows:

- Payroll information entered into the County Clerk's computer system is not reviewed by someone other than the preparer (the Payroll Clerk).
- The Payroll Clerk is responsible for enrolling new employees, maintaining personnel files, and entering monthly payroll information.
- One employee is also responsible for printing warrants and stamping the signatures of the three Commissioners and the County Clerk on the warrants.

Cause of Condition: Procedures with regard to segregating the duties over the payroll process within the office of the County Clerk have not been designed.

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 management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Further, the duties of entering new hire information into the payroll system, maintaining personnel files, and entering monthly payroll information should be adequately segregated.

Management Response:

County Clerk: All payroll warrants will be signed by the Chairman, Clerk, and Treasurer or they will use their own signature stamp. Anyone picking up a payroll warrant will sign the warrant register for that warrant before it leaves the Clerk's office. When elected officials pick up checks, the names are read by someone in the Clerk's office and the elected official will sign their name by that employee's name. Payroll checks that are mailed are so noted on the warrant register.

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

Board of County Commissioners: Each of the Commissioners will take physical possession and then secure their signature stamp in individually locked locations that will be accessible only by said Commissioner. The Board will work with the County Clerk to establish policy and procedures for controls over the payroll process.

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

Finding-2011-11—Inadequate Internal Controls Over Sheriff Employees Time Reporting (Repeat)

Condition: Upon inquiry of County officials and employees and observation of the Sheriff's documentation of employee payroll, we determined the following:

- The Sheriff submits a summary of the timesheets to the Payroll Clerk.
- There are no employee signatures on the summary.
- Timesheets are not completed by employees.

Cause of Condition: Internal controls have not be designed and implemented with regard to time reporting for employees of the Sheriff to the County Clerk.

Effect of Condition: These conditions could result in wages being paid in incorrect amounts, incorrect time periods, or misappropriation of assets.

**GRANT COUNTY, OKLAHOMA
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Recommendation: OSAI recommends timesheets be prepared and signed by the employees and the approving supervisor or official. The original timesheets should be forwarded to the County Clerk's office.

Management Response:

County Sheriff: As of January 3, 2013, when I first took office as Sheriff, this was the condition that the office was in. I will work to correct this finding.

Board of County Commissioners: The Board will review all County timesheets to ensure that both employees and officers have signatures on monthly timesheets.

Criteria: Effective internal controls include that monthly payroll disbursements be supported by signed and approved original timesheets.

Finding-2011-12—Circumvention of Purchasing Laws and Inadequate Controls Over Sheriff Expenditures (Repeat)

Condition: As part of our audit of the Sheriff's Official Depository account, we performed a review consisting of inquiry of staff, observation and tests of documents. We determined that the prior Sheriff circumvented the controls established by the purchasing laws, including the following:

- The Sheriff expended funds directly from the Sheriff's Official Depository account.
- The Official Depository collections were not transferred to the appropriated accounts at the end of each month.
- Purchases were not made from appropriated cash accounts with the approval of the Board of County Commissioners.
- Purchases were not made using purchase orders that were properly requisitioned.
- Receiving reports were not used to adequately document the receipt of goods or services.

Additionally, during the year ended June 30, 2011 the Sheriff issued Official Depository vouchers and expended \$9,042.73 in official depository collections that should have been transferred to appropriated cash accounts.

Cause of Condition: Although the prior Sheriff had been made aware that expending funds in this manner was unlawful, he elected to forego the transfer of funds from the Official Depository account to his appropriated cash accounts.

Effect of Condition: These conditions could result in errors and misappropriation of assets and have resulted in noncompliance with statutes.

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Recommendation: OSAI recommends that all monies be transferred monthly from the Official Depository account to the appropriated cash accounts in order to provide adequate internal controls and compliance over purchasing goods and services.

Management Response:

County Sheriff: As of January 3, 2013, when I first took office as Sheriff, this was the condition that the office was in. I will work to correct this finding.

Board of County Commissioners: The Board will request the new Sheriff and his requisitioning officers and receiving agents attend a purchasing class so they are familiar with statutes regarding purchasing. The Board will work with the new Sheriff during this transition period.

Criteria: Effective internal controls require that collections from the Official Depository accounts be transferred to a cash appropriated account. Expending funds in this manner provides for segregation of duties and independent oversight over the purchasing process.

Title 19 O.S. § 1501-1505 outlines the lawful manner in for County officials to expend county funds.

Title 19 O.S. § 684 requires that all monies that shall be received during any calendar month by any county officer, accruing as a part of the funds of the county or municipal subdivision thereof, shall be paid into the county treasury, that is, transferred from the official account of the officer, to the fund or funds of the county thereof to which the same belongs, by the authority so receiving the same on or before the second Monday following the close of the calendar month in which such monies have been received.

Finding-2011-18—Inadequate Internal Controls and Noncompliance Over the Distribution of Protested Ad Valorem Taxes

Condition: The County Treasurer transferred \$3,257,053.61 into the County General Fund from the Protest Tax Account on June 28, 2011 for protest tax released. She then issued Treasurer's checks to remit the funds to the entities in which the released protest tax belonged. At the end of the fiscal year June 30, 2011, only \$2,172,961.53 had cleared the bank. The remaining \$1,084,092.08 was reported on the monthly report in the General Fund balance of \$1,410,088.53. The amount which actually belonged in the General Fund was \$325,996.45.

Cause of Condition: In an effort to quickly disburse the funds to the appropriate entities the County Treasurer opted to issue Treasurer's checks from the General Fund.

Effect of Condition: As a result of the above condition, the General Fund balance was significantly overstated on the Monthly Reports at June 30, 2011 and the Treasurer was in noncompliance with the

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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statute regarding payment of protested taxes. Adjustments were made to accurately present the balances on the financial statements.

Recommendation: OSAI recommends that the Treasurer adhere to state statutes regarding the collections and disbursements of taxes paid under protest.

Management Response:

County Treasurer: I did issue Treasurer's checks for the protest release to expedite the release of money to the Grant County schools on June 28, 2011 and left the entry on the general ledger as I felt responsible to protect the money with the County collateral until each school cashed the Treasurer's check. However, only one school cashed the check before the end of the fiscal year. The other entities did not cash their checks until after June 30, 2011, which left the general fund overstated.

In the future I will issue a check directly from the Protest Tax Escrow Account at the bank and attach an explanation to document the release of funds.

Board of County Commissioners: The board will work with the County Treasurer to establish procedures to ensure that financial records accurately reflect the balances of the County.

Criteria: Effective internal controls require that financial records accurately reflect the balances of the County.

Additionally, Title 68 O.S. § 3030 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." Further, when taxes have been paid under protest and the ruling has been decided in favor of the County, the County Treasurer is required to apportion all remaining funds, plus any accrued interest, for that payment as if they had not been paid under protest.

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

Finding-2011-15—Schedule of Expenditures of Federal Awards – FEMA (Repeat)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1803 and 1883

FEDERAL AWARD YEAR: 2010

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

QUESTIONED COSTS: \$-0-

Condition: The County has not designed and implemented formal procedures for the reporting of its major federal program for Disaster Grants – Public Assistance, as required by OMB Circular A-133, received for the severe storms, tornadoes, and flooding that occurred in 2008. In particular, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges.

Cause of Condition: Procedures have not been designed and implemented with regard to reporting federal grant expenditures on the Schedule of Expenditures of Federal Awards due to management being unaware of the need for such procedures.

Effect of Condition: This condition resulted in the amount of federal expenditures for the Disaster Grants – Public Assistance not being adequately reported on the Schedule of Expenditures of Federal Awards on a timely basis.

Management Response:

Board of County Commissioners: Disaster Grant Applications will be approved by the Board by resolution. Grant awards, if any, will be determined in accordance with OMB Circulars for State and Local governments. Project Worksheets (PW) will be completed as required. The County Commissioners, Executive Assistants, County Clerk and County Treasurer have all attended several FEMA workshops, sponsored by the Office of the Oklahoma State Auditor and Inspector and the Oklahoma Department of Emergency Management so we all are more familiar with the requirements in OMB Circular A-133. The Board previously appointed the County Clerk to complete the Schedule of Expenditures of Federal Awards (SEFA) report, which was completed as required.

Auditor Response: Although the Schedule of Expenditures of Federal Awards was submitted, it was not accurate and it was not timely submitted.

Recommendation: OSAI recommends the County establish internal controls to ensure all Federal awards are properly accounted for and reported on the Schedule of Expenditures of Federal Awards in a timely manner. These policies could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

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

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

Subpart C—Auditees
§__.300 Auditees responsibilities.
The auditee shall:

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

OMB Circular A-133, Subpart B (6), §__.310 reads as follows:

Subpart B (6)—Auditees
§__.310 Financial statements states in part:
The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

(6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Finding-2011-16—County-Wide Internal Controls Over Major Program-FEMA (Repeat)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1803 and 1883

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$-0-

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

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

**GRANT COUNTY, OKLAHOMA
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Effect of Condition: This condition could result in noncompliance with grant requirements and loss federal funding in the future.

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

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

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

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

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

Management Response:

Board of County Commissioners: To ensure compliance with grant requirements, the Board, by resolution, will require all Grant applications for county departments be approved by the Board of County Commissioners prior to the actual application. This as well as other resolutions will be indexed and added to a policy and procedure manual as needed to help achieve the goal of designing a county-wide internal control system.

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.

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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- 2011-17—Procedures Over Major Programs-FEMA (Repeat)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1803 and 1883

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$-0-

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

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

Effect of Condition: This condition could result in noncompliance with grant requirements and loss federal funding in the future.

Recommendation: OSAI recommends that the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

Management Response: The Board will follow the recommendation from OSAI to gain a better understanding of the requirements of CFDA No. 97.036. Grant applications will be approved by the Board by resolution. Grant awards, if any, will be determined in accordance with OMB Circular for State and local governments.

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

Subpart C—Auditees

§__.300 Auditees responsibilities.

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Maintain internal controls over Federal

**GRANT COUNTY, OKLAHOMA
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programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or Grant agreements that could have a material effect on each of its Federal programs.

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

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

Finding-2011-6—Inadequate Internal Controls and Noncompliance Over the Sale of Native Materials (Repeat)

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 the County. The County sells these materials to other counties and companies, particularly oil service related 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.
- 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 County Highway Cash Fund for the sales of native materials for the fiscal year ended June 30, 2011, were \$654,329.12 with no evidence of sales tax being remitted to the Oklahoma Tax Commission.

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 private sectors, 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.

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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:

District 1 and District 3 Commissioners: Further investigation is required on this matter. We are checking with the Grant County District Attorney and the Oklahoma Tax Commission regarding the issue of sales tax collection on shale/rock. A formal response will be issued at a later date.

District 2 Commissioner: District 2 does not sell shale or rock.

Criteria: Due to the unusual practice of the County selling native material to private sectors, namely oilfield service companies, 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-2011-13—Inadequate Internal Controls Over the Court Clerk’s Receipting and Disbursement Process (Repeat)

Condition: Based upon inquiry of the Court Clerk and her staff, we determined that the Court Clerk’s office operates with two full-time employees. The Court Clerk has implemented policies within her office to safeguard funds; however, the following weaknesses within the receipting and disbursement process were noted:

- The employee that prepares the deposit also may issue receipts.
- Both employees operate from the same cash drawer.
- In addition, the same employee can issue, sign, and register District Court vouchers and Court Fund vouchers.
- One claim of the ten selected for testing was for additional help, but was not documented with an invoice or a timesheet.

Cause of Condition: Due to the limited number of personnel, one individual is occasionally responsible for all the key functions of the office. Mitigating controls have not been implemented.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 office be adequately segregated:

- Issuing receipts,
- Preparing / reviewing deposits and taking deposits to the bank,
- Maintaining accounting ledgers and reconciling the bank statements,
- Obtaining sufficient supporting documentation for each claim submitted for payment, and
- Establishing separate cash drawers for each employee receiving cash.

Management Response: There are only two full-time employees in my office. Due to the limited number of employees, we have already implemented several different ways to make sure that there are two signatures on each receipt and deposit when possible. As far as the cash drawer, I just feel at this time it is not necessary to change because we have never had a problem. We continue to rotate preparing the deposit, opening mail, preparing vouchers, and issuing receipts. As to maintaining accounting ledgers and reconciling the bank statements, I strongly feel that it is my responsibility to perform to perform this duty.

Auditor Response: Mitigating controls should be implemented to safeguard funds.

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.

Finding-2011-14—Inadequate Internal Controls and Noncompliance Over the Inmate Trust Checking Account (Repeat)

Condition: An audit of the Inmate Trust Checking Account revealed the following areas of noncompliance and weaknesses in the control structure:

- Deposits are not made on a daily basis.
- There was no documentation of bank reconciliations for two months during the fiscal year.
- There was a check written to the Grant County Emergency Service Association for \$750 on January 25, 2011 to help promote the passage of a one cent sales tax.
- Bank reconciliations were not reviewed or approved by someone other than the preparer.
- Profits from the Inmate Trust Checking Account were not transferred to the Sheriff Commissary Account on a regular basis, as mandated by statutes.
- Checks were issued from the Inmate Trust Checking Account for purposes other than those allowed by statutes.

**GRANT COUNTY, OKLAHOMA
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- Checks were not always signed by two deputies.
- One deputy received all money for inmates, posted receipts to the inmate account, prepared and made bank deposits, printed reports, authorized purchases for inmates, printed all checks, signed the checks, and received bank statements.

Cause of Condition: Procedures have not been designed to adequately segregate the duties and safeguard inmate funds. Further, procedures have not been designed and implemented to comply with state statutes regarding the expenditures of inmate funds and transfers of profit to the Sheriff Commissary Fund.

Effect of Condition: These conditions have resulted in noncompliance with statutes, circumvention of purchasing controls, violations of standard accounting practices, possible loss of funds.

Recommendation: OSAI recommends the following:

- Deposits should be made on a daily basis.
- A bank reconciliation should be performed for every bank statement and the preparer should sign and date the reconciliation.
- Bank reconciliations should be reviewed and approved by someone other than the deputy preparing the reconciliation and that approval should be documented.
- All profits should be transferred to the Sheriff Commissary Fund at the end of every month.
- Checks should be issued for the purposes allowed by statute which are to transfer profit and to refund inmates for unused deposits.
- Key functions of the Inmate Trust Checking Account should be adequately segregated.

Management Response:

County Sheriff: As of January 3, 2013, when I first took office as Sheriff, this was the condition that the office was in. I will work to correct this finding.

Board of County Commissioners: The Board will request the new Sheriff and his requisitioning officers and receiving agents attend a purchasing class so they are familiar with statutes regarding purchasing. The Board will work with the new Sheriff during this transition period.

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.

Title 19 O.S. § 531 states “The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.”

**GRANT COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
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Finding-2010-15—Schedule of Expenditures of Federal Awards – FEMA (Repeat)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1803 and 1883

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$-0-

Finding Summary: The County has not designed and implemented formal procedures for the reporting of its major federal program for Disaster Grants – Public Assistance, as required by OMB Circular A-133, received for the severe storms, tornadoes, and flooding that occurred in 2008. In particular, the County has not designed an accounting system or year-end process to accumulate and report its “in-kind” labor and equipment charges.

Status: Finding 2010-15 was not corrected in fiscal year 2011 and resulted in Repeat Finding 2011-15.

Finding-2010-16—County-Wide Controls Over Major Program-FEMA (Repeat)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1803 and 1883

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$-0-

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

Status: Finding 2010-16 was not corrected in fiscal year 2011 and resulted in Repeat Finding 2011-16.

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SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
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Finding 2010-17-Procedures Over Major Programs-FEMA (Repeat)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

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

FEDERAL AWARD NUMBER: 1803 and 1883

FEDERAL AWARD YEAR: 2010

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

QUESTIONED COSTS: \$-0-

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

Status: Finding 2010-17 was not corrected in fiscal year 2011 and resulted in Repeat Finding 2011-17.



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