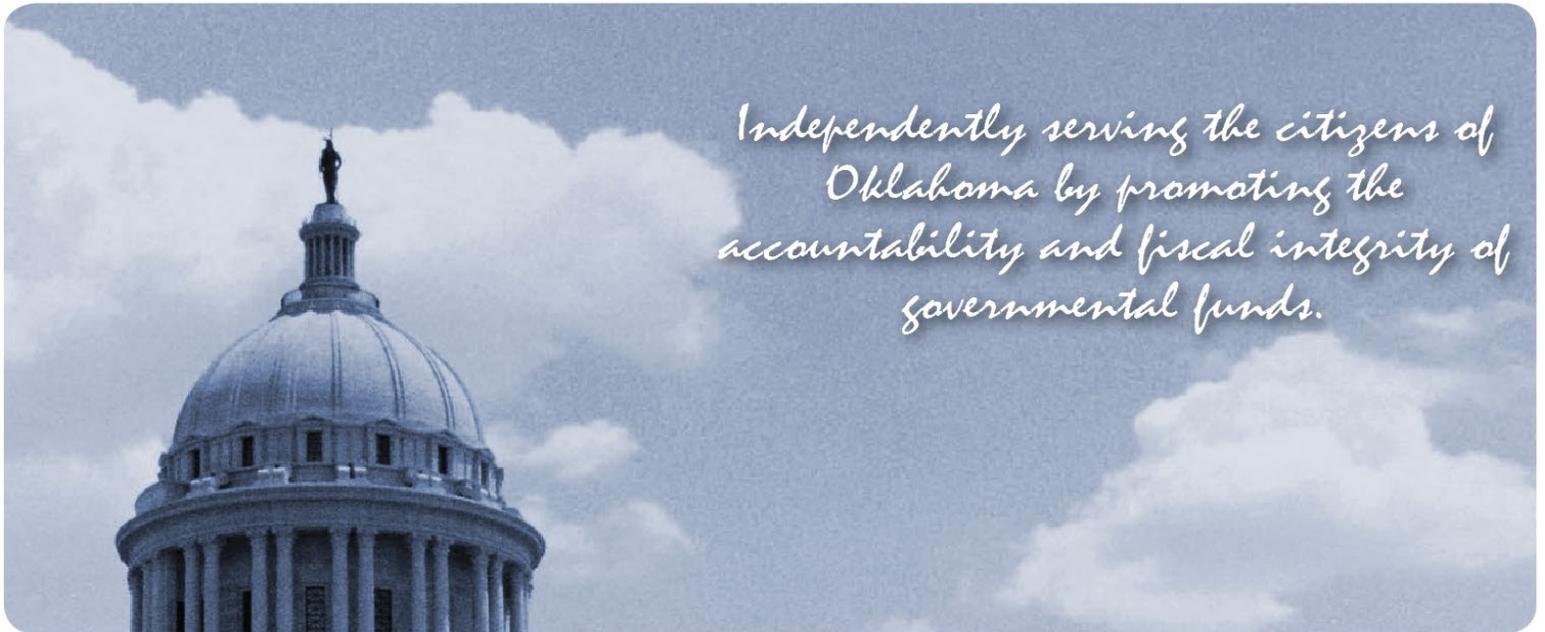


OPERATIONAL AUDIT

# GRANT COUNTY

For the fiscal year ended June 30, 2015



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



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

**GRANT COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

December 12, 2018

**TO THE CITIZENS OF  
GRANT COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Grant County for the fiscal year ended June 30, 2015.

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 written in a cursive style with a long, sweeping tail on the letter "s".

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

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

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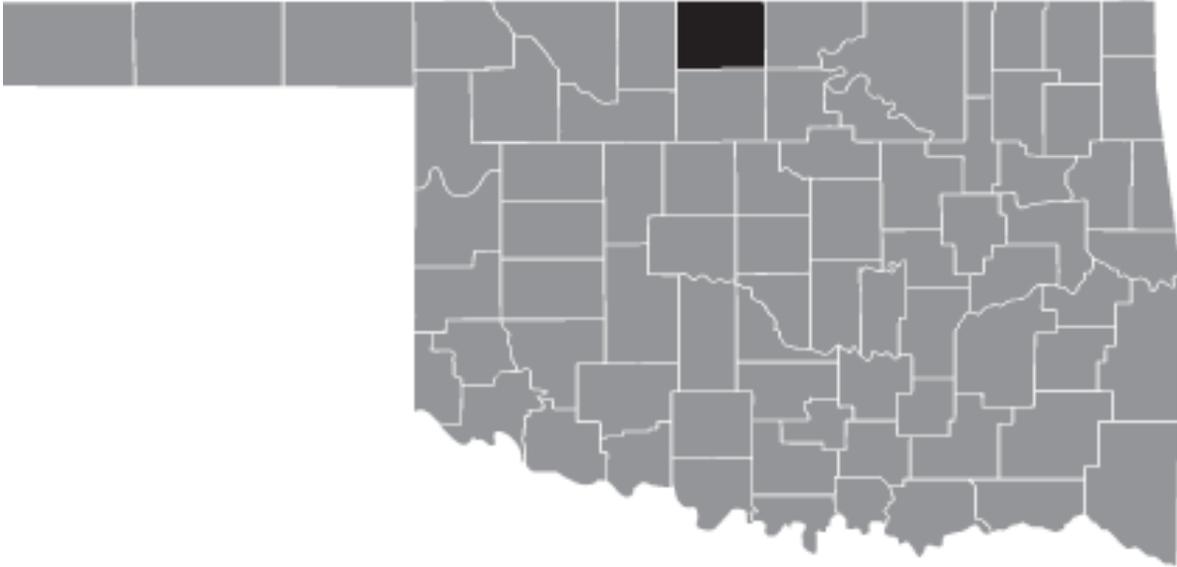
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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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 1893, “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 – 4,501  
(2014 est.)

Farms – 802

Land in Farms – 582,216 Acres

Primary Source: Oklahoma Almanac 2015-2016

**Board of County Commissioners**

District 1 – Max L. Hess  
District 2 – Cindy Bobbitt  
District 3 – Nathan Shaffer

**County Assessor**

Robin Herod

**County Clerk**

Sherri Eulberg

**County Sheriff**

Scott Sterling

**County Treasurer**

Penny Dowell

**Court Clerk**

Deana Kilian

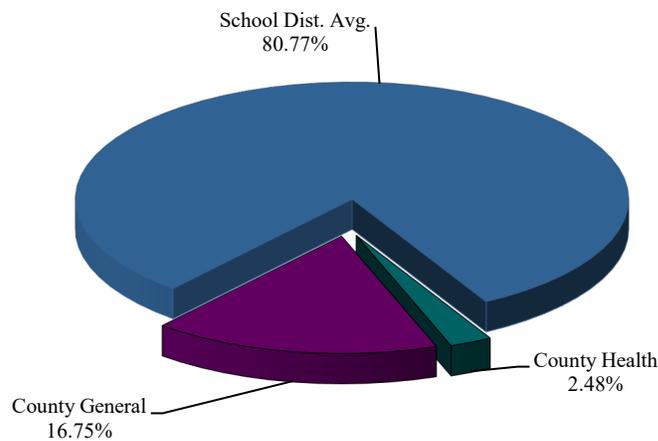
**District Attorney**

Mike Fields

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

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



County-Wide Millages		School District Millages						
				Gen.	Bldg.	Skg.	Common	Total
County General	10.13							
County Health	1.50	Medford	I-54	35.35	5.05	1.30	4.05	45.75
		Pond Creek	I-90	35.79	5.11	10.97	4.05	55.92
		Deer Creek-Lamont	I-95	35.40	5.06	-	4.05	44.51
		Timberlake	I-93	35.70	5.10	4.17	4.05	49.02
		Billings	JT-2	35.21	5.03	9.59	4.05	53.88
		Kremlin	JT-18	35.00	5.00	-	4.05	44.05

**GRANT COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## **Sales Tax**

### **Sales Tax of March 1, 2011**

The voters of Grant County approved a continuation of a one percent (1%) sales tax on March 1, 2011. Duration is 10 years ending April 30, 2021. This sales tax was established to provide revenue for the County Sheriff, Rural Fire, and Emergency Medical Services to the County through the following twelve entities:

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

These funds are accounted for in the following funds: Sales Tax Deer Creek Fire Department, Sales Tax Sheriff, Sales Tax Hawley Fire Department, Sales Tax Lamont Fire Department, Sales Tax Manchester Fire Department, Sales Tax Medford Emergency Medical Service, Sales Tax Medford Fire Department, Sales Tax Nash Fire Department, Sales Tax Pond Creek Emergency Medical Service, Sales Tax Pond Creek Fire Department, Sales Tax Wakita Fire Department, and Sales Tax Grant County Emergency Service Association.

### **Sales Tax of February 8, 2011**

The voters of Grant County also approved a new ¼ percent (0.25%) sales tax on February 8, 2011. Duration is 10 years ending February 28, 2021. This sales tax was established to provide revenue for the County Fairgrounds improvements.

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

### **Sales Tax Agreement of June 9, 2015**

The voters of Grant County authorized the Board of County Commissioners to enter into a sales tax agreement with the Grant County Economic Development Authority for the administration of the existing ¼ percent (0.25%) fairgrounds improvements sales tax. The Authority was also authorized to issue up to \$900,000 in debt obligations for the purpose of acquiring, constructing, and equipping a new all-purpose

**GRANT COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

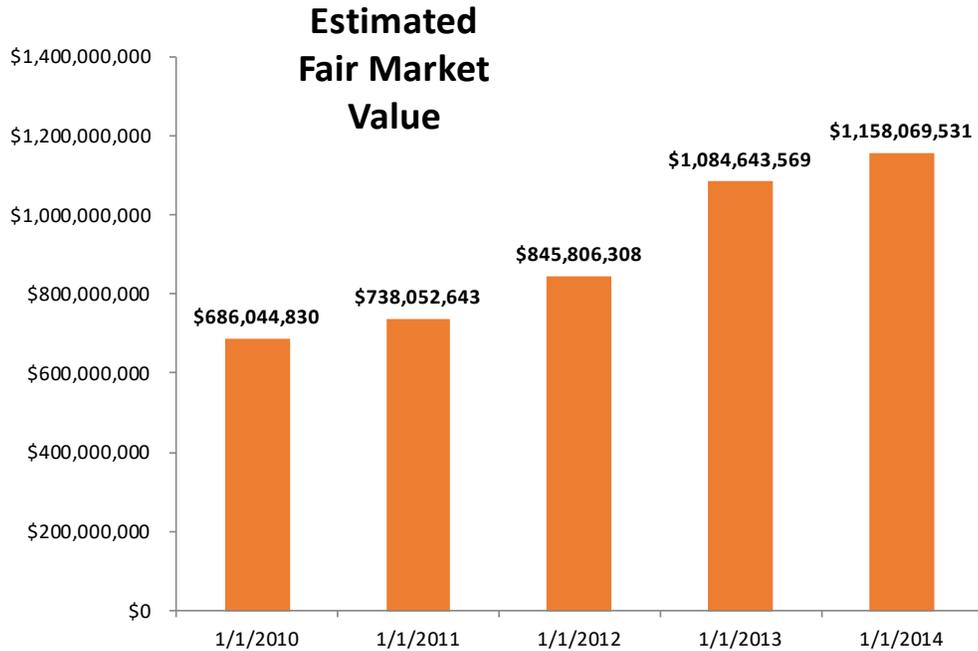
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Fairgrounds Building in Pond Creek, Oklahoma. The average rate of interest is to not exceed five percent (5%) with an average maturity not to exceed eighty-four (84) months with the aforementioned obligations being secured by a pledge of the one-quarter cent (1/4) sales tax revenues toward retirement of the obligations.

During the fiscal year, the County collected \$3,060,615 in total sales tax.

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$84,493,329	\$32,037,856	\$42,739,183	\$1,229,914	\$158,040,454	\$1,158,069,531
1/1/2013	\$80,440,428	\$24,434,092	\$41,773,447	\$1,225,546	\$145,422,421	\$1,084,643,569
1/1/2012	\$53,697,188	\$20,919,918	\$40,584,444	\$1,306,116	\$113,895,434	\$845,806,308
1/1/2011	\$41,131,002	\$21,099,581	\$39,583,138	\$1,303,850	\$100,509,871	\$738,052,643
1/1/2010	\$36,444,264	\$18,886,316	\$38,979,657	\$1,319,171	\$92,991,066	\$686,044,830

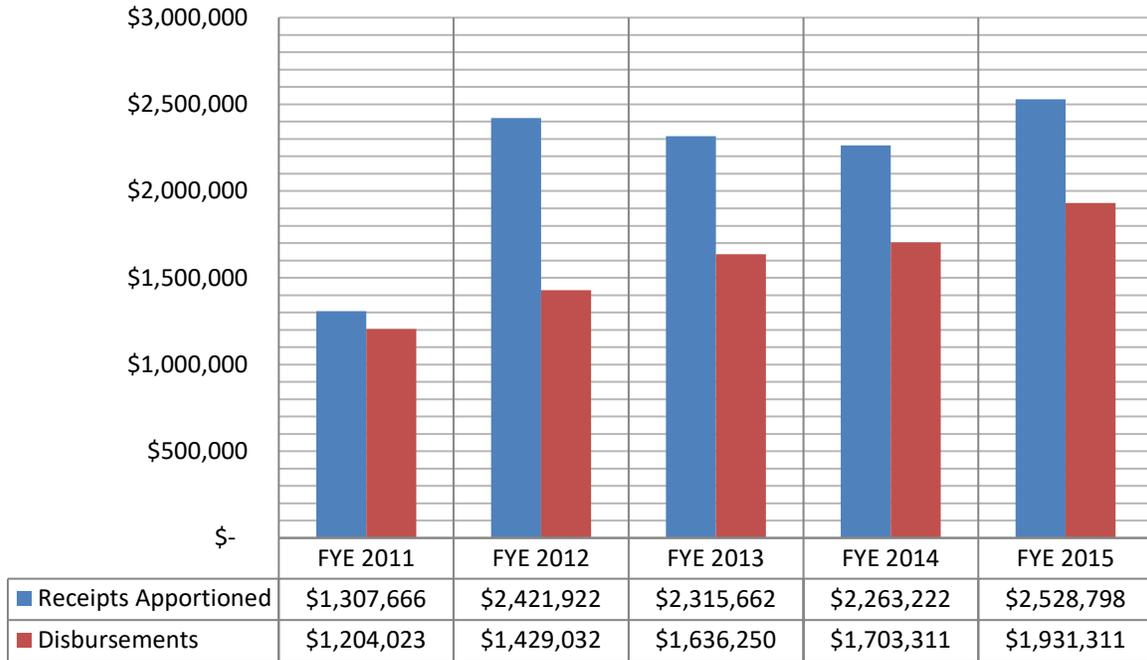


**GRANT COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## 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.

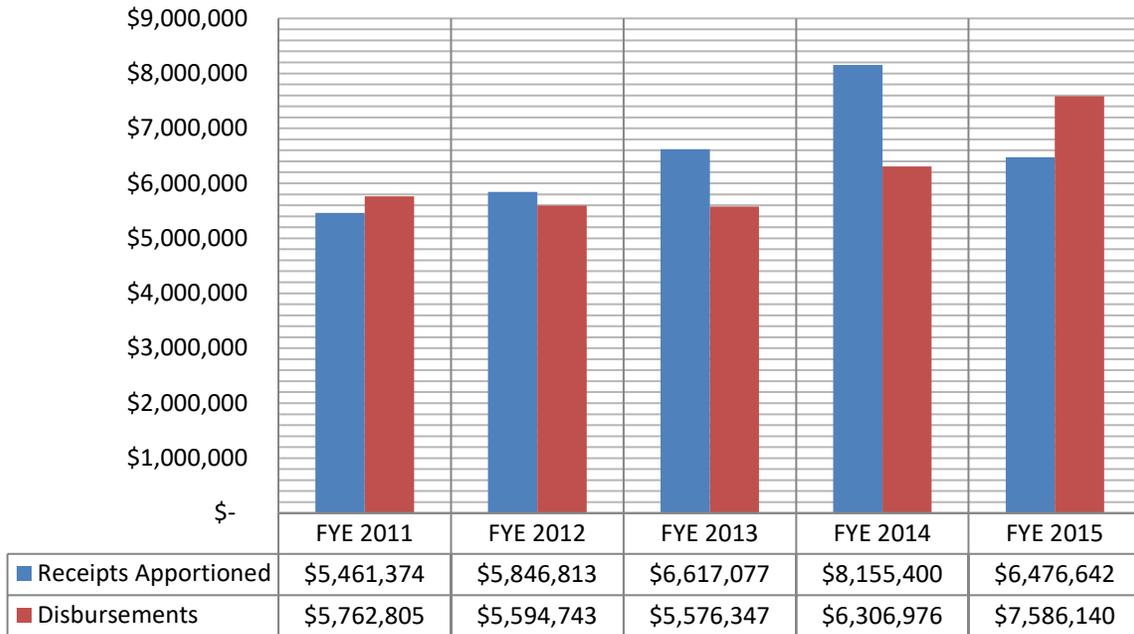


**GRANT COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## 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 by 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.



**GRANT COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combing Information:						
County Funds:						
County General Fund	\$ 2,508,237	\$ 2,528,798	\$ 50,000	\$ -	\$ 1,931,311	\$ 3,155,724
Highway Cash Fund	5,460,207	6,476,642	254,452	550,000	7,586,140	4,055,161
County Bridge and Road Improvement	740,133	421,302	500,000	254,452	624,828	782,155
County Health Department	496,958	252,178	-	-	121,614	627,522
Sales Tax Medford Emergency Medical Service	316,642	206,658	-	-	59,152	464,148
Sales Tax Pond Creek Emergency Medical Service	394,154	206,152	-	-	57,983	542,323
Sales Tax Grant County Emergency Service Association	747,770	206,073	-	-	4,437	949,406
Sales Tax Deer Creek Fire Department	594,017	205,702	-	-	23,387	776,332
Sales Tax Hawley Fire Department	607,496	205,725	-	-	54,398	758,823
Sales Tax Lamont Fire Department	620,912	206,173	-	-	57,873	769,212
Sales Tax Manchester Fire Department	363,868	205,131	-	-	18,635	550,364
Sales Tax Medford Fire Department	377,241	204,906	-	-	172,471	409,676
Sales Tax Nash Fire Department	540,872	205,358	-	-	296,290	449,940
Sales Tax Pond Creek Fire Department	603,868	206,627	-	-	96,961	713,534
Sales Tax Wakita Fire Department	780,721	205,878	-	-	197,525	789,074
Sales Tax Sheriff	135,942	206,700	-	-	124,690	217,952
Sales Tax - Fairgrounds Improvements	2,007,701	625,088	-	-	3,921	2,628,868
Department of Corrections	33,135	55,673	-	-	70,953	17,855
E-911 Phone Remittance	176,288	84,421	-	-	87,941	172,768
Resale Property	42,452	86,940	-	-	21,645	107,747
Sheriff Controlled Dangerous Substance Revolving	2,110	-	-	-	-	2,110
Sheriff Commissary	96	12,500	-	-	7,759	4,837
County Assessor Revolving	30,185	7,249	-	-	17,607	19,827
Sheriff Service Fee	11,889	35,338	-	-	27,780	19,447
Sheriff Teletype	1,772	1,800	-	-	2,450	1,122
County Clerk Lien Fee	77,444	16,681	-	-	24,346	69,779
Treasurer Mortgage Tax Certification Fee	3,636	920	-	-	1,412	3,144
Juvenile Detention	177	-	-	-	-	177
County Clerk Change Fund	25	-	-	-	-	25
County Assessor Visual Inspection	70	-	-	-	-	70
Civil Emergency Management	56	-	-	-	-	56
County Clerk Records Preservation Fee	85,124	17,216	-	-	9,425	92,915
CEM-OP Plan Grant	2,851	-	-	-	-	2,851
Communication Tower	4,410	-	-	-	-	4,410
Local Emergency Planning Committee	10,097	1,580	-	-	560	11,117
Sheriff Jail Fund	5,045	3,799	-	-	6,762	2,082
Courthouse Security	12,573	9,737	-	-	4,779	17,531
<b>Combined Total - All County Funds</b>	<b>\$ 17,796,174</b>	<b>\$ 13,108,945</b>	<b>\$ 804,452</b>	<b>\$ 804,452</b>	<b>\$ 11,715,035</b>	<b>\$ 19,190,084</b>

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**GRANT COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Description of County Funds**

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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 Medford Emergency Medical Service – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Sales Tax Pond Creek Emergency Medical Service – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Sales Tax Grant County Emergency Service Association – accounts for the collections of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

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

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

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

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

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

**GRANT COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

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

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

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

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

Sheriff Controlled Dangerous Substance Revolving – accounts for all collections from confiscated property and drug related arrests and disbursements as restricted by state statute.

Sheriff Commissary – accounts for the collection of the sale of items to inmates and disbursements to purchase commissary goods from the vendor from the vendor and to improve or provide jail services. Additionally, any surplus funds can be expended for administering expenses for training, equipment, travel, or for capital expenditures.

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

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

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

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

**GRANT COUNTY  
DESCRIPTION OF COUNTY FUNDS AND TRANSFERS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 state statute.

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

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

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

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

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

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

Communication Tower – accounts for the collection of fees from local police departments and disbursed for the maintenance and operation of the Sheriff’s communication tower.

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

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

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

**Interfund Transfers**

During the fiscal year, the County made the following interfund transfers:

- \$500,000 was transferred from Highway Cash Fund to the County Bridge and Road Improvement fund to correct a miscellaneous receipt from fiscal year 2014.
- \$254,452 was transferred from County Bridge and Road Improvement fund to Highway Cash Fund to reimburse expenditures on bridge and road projects in the County.
- \$50,000 was transferred from Highway Cash Fund to County General Fund to correct a miscellaneous receipt from fiscal year 2013.

**GRANT COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,508,237	\$ 2,508,237	\$ -
Less: Prior Year Outstanding Warrants	(96,460)	(96,460)	-
Less: Prior Year Encumbrances	(31,435)	(24,083)	7,352
Beginning Cash Balances, Budgetary Basis	<u>2,380,342</u>	<u>2,387,694</u>	<u>7,352</u>
Receipts:			
Ad Valorem Taxes	1,455,409	1,606,047	150,638
Charges for Services	-	81,442	81,442
Intergovernmental Revenues	30,269	289,386	259,117
Sales Tax	-	455,338	455,338
Miscellaneous Revenues	11,789	96,586	84,797
Total Receipts, Budgetary Basis	<u>1,497,467</u>	<u>2,528,798</u>	<u>1,031,331</u>
Expenditures:			
District Attorney - State	11,611	6,955	4,656
District Attorney - County	1,352	1,035	317
County Sheriff	407,914	383,321	24,593
County Treasurer	105,428	103,864	1,564
County Commissioners	175,691	158,538	17,153
OSU Extension	25,129	25,104	25
County Clerk	121,827	121,726	101
Court Clerk	120,314	115,162	5,152
County Assessor	99,696	94,459	5,237
Revaluation of Real Property	204,782	122,140	82,642
General Government	1,413,698	164,171	1,249,527
Excise-Equalization Board	4,500	3,041	1,459
County Election Board	52,802	52,098	704
Insurance - Benefits	508,789	433,066	75,723
Charity	2,500	-	2,500
Recording Account	18,000	16,930	1,070
Library	1,700	1,578	122
Emergency Management	71,360	51,205	20,155
County Audit Budget Account	15,804	-	15,804
Free Fair Budget Account	14,912	14,203	709
Building Maintenance Account	500,000	-	500,000
Total Expenditures, Budgetary Basis	<u>3,877,809</u>	<u>1,868,596</u>	<u>2,009,213</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>3,047,896</u>	<u>\$ 3,047,896</u>
Operating Transfers		50,000	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		163	
Add: Current Year Outstanding Warrants		5,405	
Add: Current Year Encumbrances		52,260	
Ending Cash Balance		<u>\$ 3,155,724</u>	

Source: County Estimate of Needs (presented for informational purposes)

**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, 2015**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 496,958	\$ 496,958	\$ -
Less: Prior Year Outstanding Warrants	(356)	(356)	-
Less: Prior Year Encumbrances	(1,879)	(1,709)	170
Beginning Cash Balances, Budgetary Basis	<u>494,723</u>	<u>494,893</u>	<u>170</u>
Receipts:			
Ad Valorem Taxes	215,510	237,817	22,307
Charges for Services	-	573	573
Intergovernmental Revenues	2,641	12,474	9,833
Miscellaneous Revenues	-	1,314	1,314
Total Receipts, Budgetary Basis	<u>218,151</u>	<u>252,178</u>	<u>34,027</u>
Expenditures:			
Health and Welfare	712,874	170,159	542,715
Total Expenditures, Budgetary Basis	<u>712,874</u>	<u>170,159</u>	<u>542,715</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	576,912	<u>\$ 576,912</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		-	
Add: Current Year Encumbrances		50,292	
Add: Current Year Outstanding Warrants		318	
Ending Cash Balance		<u>\$ 627,522</u>	

*Source: County Estimate of Needs (presented for informational purposes)*

**GRANT COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the County's operations. Further details regarding our methodology are included under each objective.

We utilized sampling of transactions to achieve our objectives. To ensure the samples were representative of the population and provided sufficient, appropriate evidence, the random and haphazard sample methodology was used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

This report is 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.

**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. However, we noted some deficiencies in internal controls regarding the financial reporting process.

### FINDINGS AND RECOMMENDATIONS

#### **Finding 2015-002 – Inadequate Internal Controls Over the Monthly Reports and Reconciliation Processes (Repeat Finding)**

**Condition:** Upon inquiry, review of documentation, and testwork, the following was noted:

- The monthly reports are not being reviewed for accuracy by someone other than the preparer.
- Review of bank reconciliations is performed by the same individual who performs some of the reconciliation process.
- The County Clerk does not reconcile the appropriation ledger to the County Treasurer's general ledger.
- The County Treasurer and County Clerk certify the appropriations before they are approved by the Excise Board.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review apportionments, disbursements, cash balances to verify that these amounts are accurately presented on the monthly reports and ensure a reconciliation of the County Clerk's appropriation ledger to the County Treasurer's general ledger was performed. Additionally, policies and procedures have not been designed and implemented to ensure bank account reconciliations are reviewed and approved by someone other than the preparer and documentation of review maintained.

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County Treasurer implement a system of internal controls to provide reasonable assurance that receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports. To improve controls over the County Treasurer's monthly reports, we recommend the following:

- Monthly reports and bank reconciliations should be reviewed by someone other than the preparer.

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- The funds presented on the County Clerk's appropriation ledger and the County Treasurer's general ledger should be reconciled monthly. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

**Management Response:**

**County Treasurer:** While I am primarily responsible for apportionment and end of month reports – my deputies review the components that create the monthly reports such as: miscellaneous receipts, warrants paid to cities and schools, taxes, etc., all a part of the monthly process. However, I will make improvements by having my deputies initial the monthly reports that I prepare.

My 1st deputy does reconcile officers and e-deposit bank statements and I review them. I reconcile the rest of the accounts. However, my first deputy reconciles all bank statements, so review is happening. In the future, we will be more diligent in initialing what we review.

There is extensive documentation (2 filing cabinet drawers) of the efforts in my office to balance monthly for the past three years with the County Clerk. The changing of figures on the appropriation ledger, back-dating entries, not moving amounts from prior fiscal years forward to the current fiscal year, a serious lack of communication, the inability to obtain consistently accurate information from the County Clerk's records, and the absence of supporting documentation contributed to the unsuccessful attempts to balance the general ledger to the County Clerk's appropriation ledger.

When the County Clerk could not confirm the amounts in the sub-accounts of the Highway Cash Fund for fiscal year 2015, my office began to maintain a separate appropriation ledger and compare to the County Clerk's appropriation ledger on a monthly basis. My office was not receiving the Cash Fund Estimate of Needs and Request for Appropriations, form 308, or transfers timely approved by the BOCC, resulting in the inability to balance. A Resolution was signed by the BOCC to have non-existent entries that should have been voided and removed from the County Clerk's appropriation ledgers, allowing both of our offices and the Commissioners' Executive Assistant to attempt to balance.

**County Clerk:** I was not in office at this time, but we have started reconciling the appropriation ledger to the County Treasurer's general ledger.

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

Additionally, internal controls should be designed and implemented to analyze and check accuracy and completeness. To help ensure a proper accounting of funds, all bank accounts should have a bank reconciliation performed on a monthly basis and approved by someone other than the preparer and include an indication of review.

**Objective 2:** To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and be used only for the purpose for which such sales tax was designated. However, internal controls should be strengthened over sales tax collections and disbursements.

## FINDINGS AND RECOMMENDATIONS

### **Finding 2015-003 – Inadequate Internal Controls Over County Sales Tax (Repeat Finding)**

**Condition:** Upon inquiry and observation, review of documentation and testwork of the County Clerk's office in regard to the County sales tax, we noted the following:

- The documentation for the calculation of sales tax collections performed and apportioned by the County Treasurer and appropriated by the County Clerk was not maintained.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure sales tax collections are being properly apportioned and appropriated to the designated funds

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

**Recommendation:** OSAI recommends management design and implement policies and procedures to ensure the calculation of sales tax apportionments and appropriations are reviewed by someone other than the preparer and the documentation of the review be maintained.

#### **Management Response:**

**County Clerk:** I was not in office at this time, but we have started to maintain the documentation of the calculation of sales tax collections.

**Criteria:** Internal controls should be designed to analyze and check accuracy and completeness. To help ensure proper accounting of funds, the duties of allocating and apportioning sales tax should be reviewed and documented by an independent party and would include expenditure procedures that ensure compliance with 68 O.S. § 1370E.

**Objective 3:** To determine the County’s financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Objective 4:** To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

**Conclusion:** With respect to the items tested, the County’s internal controls do not provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records.

The County’s financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be encumbered prior to ordering the goods or services and properly supported.

## FINDINGS AND RECOMMENDATIONS

### **Finding 2015-004 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s disbursement process, the following weaknesses were noted:

- One employee is in charge of creating purchase orders, making purchases, reviewing supporting documentation, creating warrants, mailing payments, and has access to the electronic signature of the Board of County Commissioners’ Chairman and the County Clerk.
- The check stock is not maintained in a secure location.
- The County Clerk stated that while she reviewed the purchase orders (PO), she was unable to provide any supporting documentation of the review of the bottom left corner of the PO that certifies that the invoice, receiving report and delivery documentation had been compared to the PO and any discrepancies had been reconciled.

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While performing a test of sixty (60) disbursements, the following exceptions were noted:

- Sixteen (16) were not encumbered prior to receiving goods or services.
- Two (2) were not supported by adequate documentation.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate internal controls and compliance with state statute over the disbursement process.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. In addition, with the Purchasing Clerk having unlimited access to officials' electronic signatures this person would have the ability to initiate a transaction from beginning to end without any official approval.

**Recommendation:** OSAI recommends the following regarding the purchasing process:

- Accounting functions of the purchasing process should be adequately segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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.
- When facsimile signatures are printed on warrants by the software system, the County Clerk should review and initial the warrants after they are printed.
- The check stock should be maintained in a secure location.
- The County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered, encumbrances should be certified by the County Clerk or Deputy. Adequate supporting documentation should be attached to the purchase order and reviewed to ensure accuracy and all purchase orders should for review.

**Management Response:**

**Chairman of the Board of County Commissioners:** We have stopped the use of the Chairman's electronic signature in the County Clerk's office and will make sure all purchase orders are encumbered prior to receiving the goods or services and that proper supporting documentation is attached.

**County Clerk:** I was not in office at this time, but we have segregated the purchasing duties and eliminated the electronic signatures. Check stock is in a locked filing cabinet. All purchase orders are reviewed for supporting documentation. Purchase orders and supporting documentation is scanned in as well.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objective of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

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Title 19 O.S. § 1505 prescribes the procedures established for the requisition, having proper supporting documentation attached, and to encumber funds requisitioned by an authorized requisitioning official.

**Finding 2015-006 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry, observation and review of the County’s payroll disbursement process, the following was noted:

- One employee is in charge of the administration of payroll. She enrolls new employees, creates the payroll affidavits, processes payroll, creates payroll warrants, and has access to the electronic signature of the County Commissioners’ Chairman and County Clerk.
- The County Clerk failed to make timely payments to the County’s retirement system and to the IRS for payroll taxes, resulting in \$8,719.22 in late fees and penalties.

Additionally, the review of six (6) payroll claims, which included sixty (60) timesheets, reflected the following:

- Fifteen (15) timesheets could not be located.
- One (1) timesheet did not reflect the actual hours worked.
- Three (3) timesheets were not signed by the employee.
- Two (2) timesheets were not signed by the officer.
- One (1) timesheet was not signed by the employee or the officer.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regards to the payroll process to ensure adequate segregation of duties and internal controls. Additionally, policies and procedures have not been designed and implemented to ensure timesheets are signed by the employee and supervisor.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds and resulted in the payment of late fees and penalties.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s oversight of office operations and a periodic review of operations. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions. Also, when facsimile signatures are printed on warrants by the software system, the County Clerk should review and initial the warrants after they are printed.

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Furthermore, regarding internal controls, OSAI recommends the following:

- All timesheets should be maintained.
- All timesheets should be signed by the employee and approved by the official or immediate supervisor.
- Timesheets be submitted with all payroll claims as supporting documentation.
- Actual hours worked should be documented on the timesheet.

**Management Response:**

**County Clerk:**

- An OPERS payment was made late one time. They waived any penalties. All payments are now sent in a timely fashion. The County Clerk and the second deputy share the payroll duties. Both have been properly trained on the dates payments are due. Once confirmation was received then the phone call was made to the IRS to make payments. The IRS waits 24 hours before withdrawing the funds. The IRS uses that date for their records. Once this was learned, the phone call to the IRS was made the day of payroll.
- All timesheets will be reviewed for employee and officer signatures. No copies will be allowed; all timesheets will be signed by the employee and the officer.
- More care will be taken when filing and no unaudited paperwork will leave the County Clerk's office.
- When a new employee is hired, one person does the new hire paperwork and a second person enters the information into the computer. When timesheet information is entered for pay, a second person always checks the entered data and initials the timesheet.

**County Treasurer:** One of my deputy's timesheets in June 2015 was not approved by me. My office will comply with OSAI audit finding.

**County Sheriff:** We will make sure all timesheets are signed by the employee and document actual hours worked.

**Commissioner District 1:** We will make every effort to have employees sign their timesheets.

**Commissioner District 2:** I am very disappointed that our County Clerk's office could not locate District 2 timesheets. I will locate the timesheets and will send them to the Auditor's office.

**Auditor Response - OPERS Payments:** Documentation reflects payments for late penalty was paid to OPERS on three occasions and the IRS on two occasions.

**Criteria:** Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal control which aids in the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements.

**All Objectives:**

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

**Finding 2015-001 - Inadequate County-Wide Internal Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment, Communication and Information, and Monitoring have not been designed and/or implemented.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address county-wide controls.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends that the County design and implement procedures to identify and address risks and to ensure that information is communicated effectively. 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:**

**Chairman of the Board of County Commissioners:** The Board of County Commissioners play a major role in setting strategy; formulating objectives; allocating resources; and provides guidance, direction, and accountability for county officers. Therefore, the Board along with County Officers will work together to design written policies and procedures to identify and address county-wide controls for Risk Assessment, Communication and Information and Monitoring.

**District 2 County Commissioner:** Class A Officers meetings are held quarterly. As one of the county elected officials I will request that the minutes more accurately reflect the county-wide topics that we discussed including but not limited to Risk Assessment, Communication and Information and Monitoring.

**District 3 County Commissioner:** I was sworn in as Grant County Commissioner July 20<sup>th</sup>, 2015 so I chose not to comment on this finding.

**County Clerk:** This office will encourage all Officers to discuss Risk Assessment and to design and implement policies and procedures to help with identifying and addressing risks at all levels during the Class A Officer meetings.

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**County Treasurer:** Policy and procedure should be discussed at these Class A Officers meetings. I believe it would be best if all officers would attend the Board of County Commissioners meetings to be better informed. We voted to reduce the meetings from monthly to quarterly because it did not appear to be solving any issues. I would like to see all officers be better informed - reading the minutes in the newspaper is not sufficient. If officers cannot attend weekly Commissioners meetings, perhaps each of us can rotate going to the meetings and creating a synopsis of county business discussed and action taken.

**County Sheriff:** These will be discussed as a County Risk Assessment at our Class A Officer's meeting.

**County Assessor:** At our Class A Officer's meetings, we will discuss Risk Assessment, Communication and Information and Monitoring and our County handbook and determine what other areas need improvement.

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

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

**Other Item(s) Noted:**

Although not considered significant to the audit objectives, we feel the following issues should be communicated to management.

**Finding 2015-011 – Noncompliance Over the Sale of Native Materials (Repeat Finding)**

**Condition:** Upon inquiry of county employees and county officials, with regard to the collection of revenue, we determined that District 1 and District 3 sells native materials from leased shale pits and rock quarries located within Grant County, as well as Kay County. These Districts sell these materials to companies. The proceeds from these sales are deposited into the Highway Cash Fund. The County has no authority to sell native materials to businesses.

Miscellaneous receipts deposited in the Highway Cash Fund under the description of "Shale" and "Shale/Sand/Gravel/Etc." for the fiscal year ended June 30, 2015 totaled \$136,666.59.

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**Cause of Condition:** The County was unaware this was not an acceptable practice for a County.

**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 follow the advice of the District Attorney and stop the practice of selling rock to private businesses.

**Management Response:**

**District 1 County Commissioner:** We are no longer selling native material.

**District 3 County Commissioner:** I was sworn in as Grant County Commissioner July 20<sup>th</sup>, 2015 so I cannot comment on this finding, other than to say that Grant County District 3 does not sell native materials under advice of the District Attorney's office since early 2016.

**Criteria:** There is no statutory authority for a county to operate as a business regarding the sale of native materials.

**Finding 2015-012 – Inadequate Internal Controls Over Information Technology - County Treasurer and County Clerk (Repeat Finding)**

**Condition:** Upon review of the computer system within the offices of the County Treasurer and County Clerk, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24.A.28.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

**Effect of Condition:** This condition could result in compromised security for the computer, computer programs, and data.

**Recommendation:** The County Treasurer and County Clerk should comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24.A.28.

**Management Response:**

**County Treasurer:** I have updated specific controls within my office to comply with OSAI audit finding.

**County Clerk:** I was not in office at this time, but I will contact our core vendor to setup these parameters.

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**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Grant County  
Board of County Commissioners  
Grant County Courthouse  
Medford, Oklahoma 73759

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2015:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Grant County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive, flowing style.

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

December 3, 2018

**GRANT COUNTY, OKLAHOMA  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2015-007 – Inadequate Internal Controls and Noncompliance Over the Receipting and Disbursements Process – Court Clerk (Repeat Finding)**

**Condition:** Upon inquiry of Court Clerk employees and observation of records, the following was noted:

- The Court Clerk has the ability to issue receipts, reconcile receipts to her cash drawer, prepare the deposit, and take the deposit to the County Treasurer.
- The Court Clerk can receive goods, prepare a claim, prepare the voucher, take the voucher to the County Treasurer, and mail the voucher.
- Court Fund claims and Revolving Fund claims are sometimes approved by a judge after the corresponding vouchers have been issued and paid.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties of the receipting and disbursement processes within the office of the Court Clerk, or to ensure deposits are made daily and claims are not approved after they have been paid or to ensure that vouchers are accurate and have proper documentation.

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

**Recommendation:** OSAI recommends that management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. OSAI further recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office and having management review and approve the accounting functions. Additionally, proper approval of claims should be attained before issuing vouchers.

OSAI recommends that claims be reviewed for accuracy and that proper supporting documentation be attached before issuing a voucher.

**Management Response:**

**Court Clerk:** Deposits are now being made on a daily basis including all credit card transactions. We will do everything possible to rotate duties in paying claims, receiving goods and taking vouchers to the County Treasurer. Court Fund and Revolving Fund claims will be approved either in person by a judge or by email before any claim is paid.

We will double check each claim for accuracy and that the proper supporting documentation is attached before issuing a voucher. We will have two employees double check each claim and initial.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of

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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. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Title 19 O.S. § 220(A) states in part, "there is hereby created with the county treasurer of each county within this state a depository revolving fund to be designated the "Court Clerk's Revolving Fund". The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received as grants from the federal government and any other monies designated by law for deposit into the fund. All monies accruing to the credit of the fund shall be expended by the court clerk for the lawful operation of the court clerk's office. Claims against the fund shall include only expenses incurred for the operation of the court clerk's office in each county, and payment may be made after the claim is approved by the court clerk and either the district or the associate district judge of that county..."

Title 20 O.S. § 1304(A) states in part, "Claims against the court fund shall include only expenses lawfully incurred for the operation of the court in each county. Payment of the expenses may be made after the claim is approved by the district judge who is a member of the governing board of the court fund and either the local court clerk or the local associate district judge who is a member of the governing board."

**Finding 2015-010 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

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

- One employee prepares the deposit, takes the deposit to the bank, and performs inmate account maintenance.
- Collections were not deposited daily.
- Reconciliation of the bank or inmate ledger balance to the bank are not performed.
- The Sheriff's office did not file an annual report for the Commissary Fund with the Board of County Commissioners.

After reviewing seventy-two (72) expenditures, (100%) of the Inmate Trust Fund Checking Account expenditures, the following noncompliance was noted:

- Two (2) checks, totaling \$675.39, were paid to the commissary vendor.

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

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

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- All funds received should be deposited to the Inmate Trust Fund Checking Account daily.
- Bank reconciliation should be performed monthly.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15th, of each year.

Additionally, OSAI recommends that the expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531(A). OSAI recommends that checks be issued with enough detail as to ascertain the name of the inmate being released/transferred.

**Management Response:**

**County Sheriff:**

1. A new bank account has been set up for the Inmate Trust Fund, internal accounting tools are now being used through software that the commissary company provides to accurately match deposits and returned checks for reconciliation of the monthly bank statements.
2. Deposits will be attempted to be made daily.
3. There will be a separate person to take the daily deposits to the bank, who does not fill out the deposit slip.
4. The Sheriff's office will begin to file an annual report of the Inmate Trust Fund Checking Account with the BOCC.
5. There will no longer be checks issued directly to the commissary company from the Inmate Trust Fund Checking Account; those funds will be transferred to the Sheriff Commissary Fund and the vendor will be paid from that fund.

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

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

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

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



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