

# GRANT COUNTY

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006

# COUNTY AUDIT



Oklahoma State Auditor  
& Inspector

**GRANT COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



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November 6, 2008

TO THE CITIZENS OF  
GRANT COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grant County, Oklahoma, for the fiscal year ended June 30, 2006. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink, reading "Steve Burrage", is positioned above the printed name.

STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

**GRANT COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

Report to the Citizens of Grant County .....	iii
County Officials and Responsibilities.....	iv
Ad Valorem Tax Distribution .....	ix
Computation of Legal Debt Margin.....	x
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	xi
Assessed Value of Property .....	xii

FINANCIAL SECTION

Report of State Auditor and Inspector .....	1
Basic Financial Statement:	
Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) .....	3
Notes to the Financial Statement .....	4

OTHER SUPPLEMENTARY INFORMATION

Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....	13
Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund .....	15
Detailed Schedule of Receipts, Disbursements, and Changes in Cash Balances—Sinking Fund .....	16
Notes to Other Supplementary Information .....	17

**GRANT COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

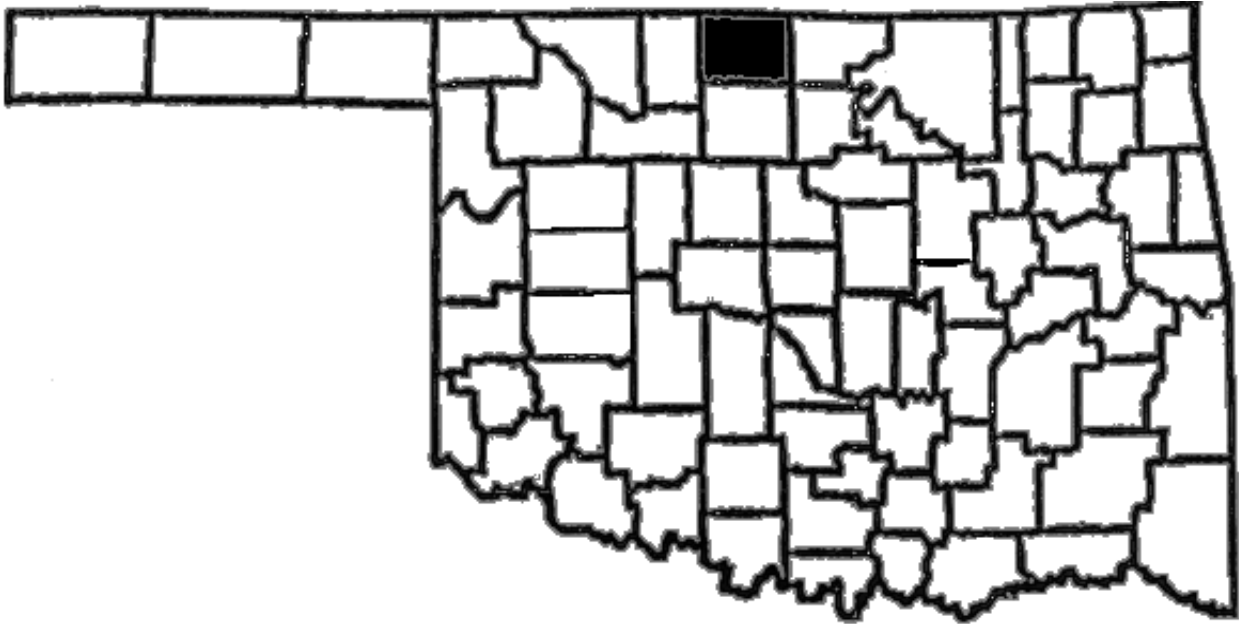
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INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	18
Schedule of Findings and Responses .....	20

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

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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 Co-op 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.

County Seat – Medford

Area – 1,003.61 Square Miles

County Population – 4,824  
(2004 est.)

Farms – 744

Land in Farms – 594,809 Acres

Primary Source: Oklahoma Almanac 2005-2006

See independent auditor’s report.

**GRANT COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**COUNTY ASSESSOR**  
Stephen Spleth

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

**COUNTY CLERK**  
Debbie Kretchmar

The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

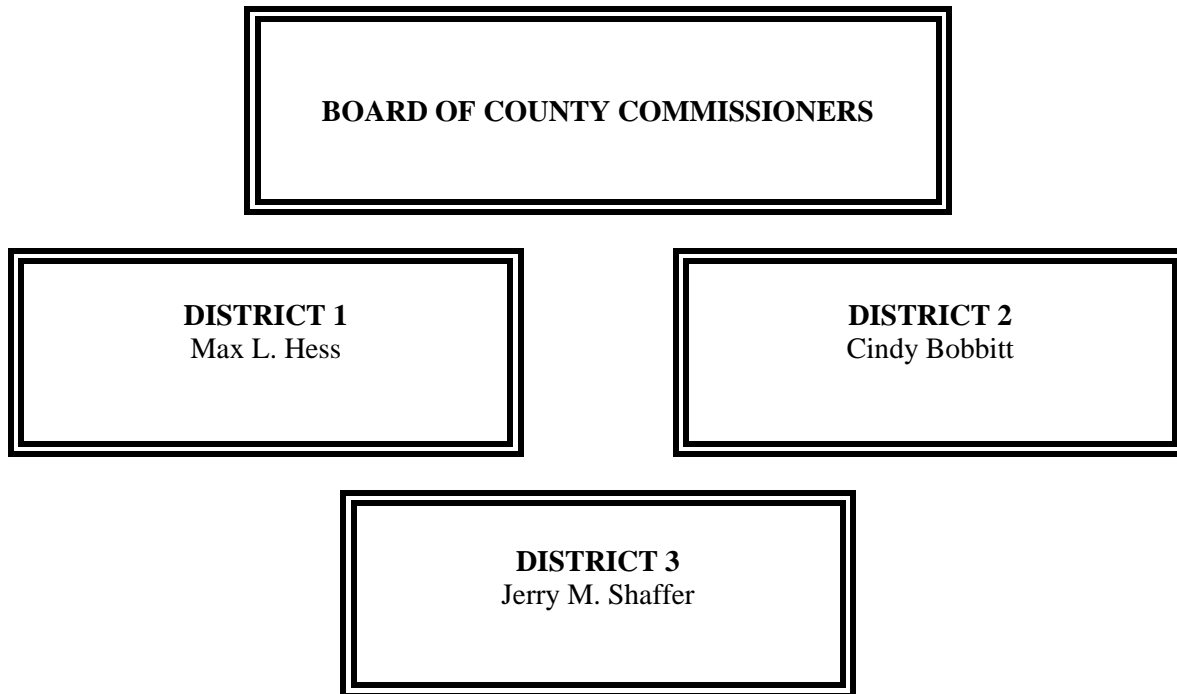
The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as “open records.” As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**GRANT COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.



**GRANT COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**COUNTY SHERIFF**  
Roland Hula

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

**COUNTY TREASURER**  
Elaine Webster

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**GRANT COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**COURT CLERK**  
Deana Kilian

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

**DISTRICT ATTORNEY**  
Cathy Stocker

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**GRANT COUNTY OFFICIALS  
AND RESPONSIBILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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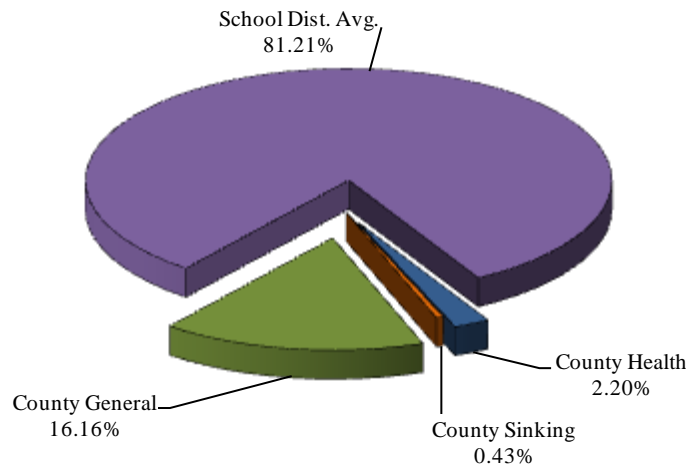
<b>ELECTION BOARD SECRETARY</b> Harvey J. Bush
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The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

**GRANT COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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	10.00							
County Health	1.36	Medford	I-54	35.00	5.00	2.92	4.00	46.92
County Sinking	0.27	Pond Creek	I-90	35.00	5.00	4.35	4.00	48.35
		Wakita	I-33	35.00	5.00	0.00	4.00	44.00
		Deer Creek - Lamont	I-95	35.00	5.00	10.34	4.00	54.34
		Nash	I-93	35.00	5.00	10.17	4.00	54.17
		Billings	JT-2	35.00	5.00	6.02	4.00	50.02
		Kremlin-Hillsdale	JT-18	35.00	5.00	10.00	4.00	54.00

See independent auditor's report.

**GRANT COUNTY, OKLAHOMA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

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Total net assessed value as of January 1, 2005		<u>\$ 86,240,679</u>
Debt limit - 5% of total assessed value		4,312,034
Total bonds outstanding	60,000	
Total judgments outstanding	-	
Less cash in sinking fund	<u>20,128</u>	<u>39,872</u>
Legal debt margin		<u>\$ 4,272,162</u>

See independent auditor's report.

**GRANT COUNTY, OKLAHOMA**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET BONDED DEBT PER CAPITA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
**(UNAUDITED)**

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	<u>2006</u>
Estimated population	<u><u>4,824</u></u>
Net assessed value as of January 1, 2005	<u><u>\$ 86,240,679</u></u>
Gross bonded debt	60,000
Less available sinking fund cash balance	<u>20,128</u>
Net bonded debt	<u><u>\$ 39,872</u></u>
Ratio of net bonded debt to assessed value	<u><u>0.05%</u></u>
Net bonded debt per capita	<u><u>\$ 8.27</u></u>

See independent auditor's report.

**GRANT COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

<b>Valuation Date</b>	<b>Personal</b>	<b>Public Service</b>	<b>Real Estate</b>	<b>Homestead Exemption</b>	<b>Net Value</b>	<b>Estimated Fair Market Value</b>
1/1/2005	\$36,499,510	\$13,700,629	\$37,386,275	\$1,345,735	\$86,240,679	\$651,045,269

See independent auditor's report.

## **FINANCIAL SECTION**



# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 [www.sai.ok.gov](http://www.sai.ok.gov)

## Independent Auditor's Report

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, 2006, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Grant County's management. Our responsibility is to express an opinion 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. Oklahoma Statutes, in addition to audit responsibilities, assign other responsibilities to the State Auditor and Inspector's Office. Those responsibilities include providing various information technology (IT) support for county government.

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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because 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, 2006, 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 of Grant County, for the year ended June 30, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2008, 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 funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. 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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

May 12, 2008

## **Basic Financial Statement**

**GRANT COUNTY, OKLAHOMA  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
(WITH COMBINING INFORMATION)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Beginning Cash Balances July 1, 2005	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2006
Combining Information:				
County General Fund	\$ 237,219	\$ 1,053,956	\$ 1,099,431	\$ 191,744
Highway Cash	451,445	3,420,223	3,270,329	601,339
County Health Department	193,344	111,155	173,017	131,482
Resale Property	57,048	14,472	15,679	55,841
Treasurer Mortgage Tax Certification Fee	2,295	1,615	573	3,337
Sheriff Service Fee	39,374	25,090	45,970	18,494
Sheriff Teletype	9,195	2,742	4,200	7,737
Sheriff Local Law Enforcement	15			15
SO CDS Revolving		2,100	2,100	
Community Service Sentencing Program	8,763	8	6,005	2,766
COPS	653		653	
Juvenile Detention	1,162	870		2,032
Department of Corrections	48,389	16,575	57,223	7,741
Sheriff Jail Fund	650	2,460	2,393	717
County Clerk Lien Fee	2,725	4,847	4,757	2,815
County Clerk Records Preservation Fee	20,853	12,424	9,943	23,334
County Assessor Revolving	10,538	6,221	5,401	11,358
County Assessor Visual Inspection	1,774		152	1,622
Courthouse Improvement	473			473
Grant County Property	105			105
Communication Tower	9,352	100		9,452
Local Emergency Planning Committee	1,251	1,665	864	2,052
ARM-REAP Grant	3,882	2	3,070	814
Fire Equipment Grant	86			86
REAP Grant	17			17
Health Department Grant	541			541
CEM-OP Plan Grant	2,865	5		2,870
HAZMAT	5,800	42	5,842	
Industrial Authority Sinking	23,536	21,402	24,810	20,128
Civil Emergency Management	65		9	56
Sales Tax	492,151	508,826	349,458	651,519
<b>Combined Total--All County Funds</b>	<b>\$ 1,625,566</b>	<b>\$ 5,206,800</b>	<b>\$ 5,081,879</b>	<b>\$ 1,750,487</b>

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, 2006**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Grant County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

**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 funds included as supplementary information within the financial statement:

County General Fund - accounts for the general operations of the government.

Highway Cash - 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.

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

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.

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

**GRANT COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Sheriff Local Law Enforcement – accounts for the receipt of grant funds used for local law enforcement equipment of the Sheriff's office.

SO CDS Revolving – accounts for controlled drug substance funds received and expended by the Sheriff's office for drug enforcement purposes.

Community Service Sentencing Program - accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

COPS – accounts for federal grants received and disbursements are for the purpose of salaries for Sheriff deputies.

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.

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

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

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

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

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

Courthouse Improvement – accounts for the residual funds set aside for the purchase and maintenance of county owned property.

Grant County Property - accounts for the residual funds set aside for the purchase and maintenance of county owned property.

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

**GRANT COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

ARM-REAP Grant – accounts for grant funds received from the state used for roads and bridges near and around the Atmospheric Radiation Measurement Facility.

Fire Equipment Grant – grant funds received to acquire fire equipment for small rural fire departments in the County.

REAP Grant – accounts for state grant funds received to be used for rural development.

Health Department Grant – accounts for the state grant funds that are used to offset maintenance and operations of the county health department.

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

HAZMAT – accounts for the receipt and disbursement of funds from the State, for the implementation of policies and procedures for hazardous materials.

Industrial Authority Sinking – accounts for the receipt and disbursement of funds from Industrial Authority Sinking accounts for ad valorem collections, used to retire the G.O. Bonds issued by the Authority for industrial development.

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

Sales Tax – accounts for the sales tax received for the use of the Medford, Pond Creek, Wakita, Manchester, Hawley, Nash, Deer Creek, and Lamont Ambulances and fire departments and for the Sheriff.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, 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.

**C. Basis of Accounting**

The basic 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 cash

**GRANT COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**D. Budget**

Under current Oklahoma Statutes, the general fund and the 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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

**E. Cash**

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).

**F. Investments**

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements



**GRANT COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

**G. Compensated Absences**

All full-time Grant County employees shall be entitled to vacation leave. New employees will receive 12 days of vacation on their one year anniversary date; the following January 1 they will receive 1 day (based on an 8 hour day) per month from their one year anniversary date to December 31. From this point forward, all employees will receive their vacation leave (based on the following vacation rates) each January 1.

<b>Years of Service in Grant County</b>	<b>Vacation Leave</b>	<b>Accumulation Limits</b>
1 - 4 Years	12 days (96 hrs per year)	17 days
5 - 20 Years	15 days (120 hrs per year)	20 days
21 Years and Over	18 days (144 hrs per year)	23 days

All full-time Grant County employees shall be entitled to sick leave with pay that is accrued on a monthly basis. Sick leave shall accumulate at the rate of 4 hours for each full calendar month of service to the County. Sick leave may be accrued up to a maximum of 60 days.

**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."

The assessed property value as of January 1, 2005, was approximately \$86,240,679.

The County levied 10.00 mills for general fund operations, 1.36 mills for county health department, and .27 mill for sinking fund. In addition, the County collects the ad valorem taxes assessed by cities and towns, emergency medical districts, and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

**GRANT COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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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.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2006, were approximately 89.36 percent of the tax levy.

**3. Fuel Tax**

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.

**4. Risk Management**

The County is exposed to the various risks of loss shown in the following table:

<b>Types of Loss</b>	<b>Method of Management</b>	<b>Risk of Loss Retained</b>
General Liability <ul style="list-style-type: none"><li>• Torts</li><li>• Errors and Omissions</li><li>• Law Enforcement Officers Liability</li><li>• Vehicle</li></ul>	The County participates in a public entity risk pool: Association of County Commissioners of Oklahoma-Self-Insurance Group. (See ACCO-SIG.)	If claims exceed the authorized deductibles, the County could have to pay its share of any pool deficit. A judgment could be assessed for claims in excess of the pool's limits.
Physical Plant <ul style="list-style-type: none"><li>• Theft</li><li>• Damage to Assets</li><li>• Natural Disasters</li></ul>		
Workers' Compensation <ul style="list-style-type: none"><li>• Employees' Injuries</li></ul>	The County carries commercial insurance.	A judgment could be assessed for claims in excess of coverage.
Employee <ul style="list-style-type: none"><li>• Medical</li><li>• Disability</li><li>• Dental</li><li>• Life</li></ul>	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members would have surcharges assessed to pay the excess claims.

**GRANT COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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ACCO-SIG - The pool operates as a common risk management and insurance program and is to be self-sustaining through member premiums. Each participating county chooses a \$10,000, \$25,000, or a \$50,000 deductible amount. The County has chosen a \$25,000 deductible for each insured event as stated in the County's "Certificate of Participation." The risk pool will pay legitimate claims in excess of the deductible amount for replacement value up to \$100,000 for property, and up to \$500,000 for general liability. The pool has acquired commercial reinsurance in the amount of \$1,000,000 to cover claims that exceed the pool's risk retention limits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

Commercial Insurance - The County obtains commercial insurance coverage to pay legitimate workers' compensation claims. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

OPEH&WP - The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

**5. Long-term Obligations**

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

In 1969, the County voters authorized the issue of \$1,500,000 in general obligation bonds. The Grant County Industrial Development Authority through the County government has issued \$250,000 in G.O. Limited Tax Bonds, Series A that was utilized as a loan to encourage industry within the County. On August 16, 1993, Grant County sold \$250,000 in bonds and loaned \$202,068 to a company called BBC RV. The company had agreed to reimburse the County \$2,737.10 on a monthly basis. The County received \$23,658.59; however, the company became insolvent and was no longer able to meet their monthly commitment. The County began placing a levy on the tax rolls in January 1997 in order to meet bond pay-off requirements. As discussed in footnote 2, for the current fiscal year the County levied .27 mill.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

**GRANT COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Purpose	Interest Rate	Amount
Grant County G.O. Limited Tax Bonds	6%	\$60,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Series A			
Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 20,000	\$ 3,000	\$ 23,000
2008	20,000	2,400	22,400
2009	<u>20,000</u>	<u>600</u>	<u>20,600</u>
Total	<u>\$60,000</u>	<u>\$6,000</u>	<u>\$66,000</u>

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free. However, starting in January 1997, ODOT began charging a one-time fee of 3% on all pieces of machinery subsequently acquired.

**6. 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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 6.5% and 11.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 11.5% of earned compensation for elected officials. The

**GRANT COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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County's contributions to the Plan for the years ending June 30, 2006, 2005, and 2004, were \$161,834, \$152,922, and \$151,153, respectively, equal to the required contributions for each year.

**7. Other Post Employment Benefits (OPEB)**

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

**8. Contingent Liabilities**

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

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

**9. Sales Tax**

A special election was held on April 3, 2001. The citizens of Grant County approved a one-cent sales tax to be collected for the period beginning May 1, 2001 and ending April 30, 2006. The sales tax is for the purpose of providing County Sheriff, Rural Fire and Emergency Medical Service to the County through the 12 following 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. Wakita Emergency Medical Service
12. Wakita Fire Department

On January 10, 2006, the citizens of Grant County elected to continue the sales tax for an additional five years or until April 30, 2011.

## **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, 2006**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 237,219	\$ 237,219	\$ 237,219	\$ -
Less: Prior Year Outstanding Warrants	(9,733)	(9,733)	(9,733)	
Less: Prior Year Encumbrances	(14,184)	(14,184)	(13,916)	268
Beginning Cash Balances, Budgetary Basis	213,302	213,302	213,570	268
Receipts:				
Ad Valorem Taxes	784,006	784,006	785,299	1,293
Charges for Services	32,555	32,555	78,088	45,533
Intergovernmental Revenues	137,430	137,430	162,007	24,577
Miscellaneous Revenues	11,250	21,086	28,562	7,476
Total Receipts, Budgetary Basis	965,241	975,077	1,053,956	78,879
Expenditures:				
District Attorney	6,163	7,363	4,822	2,541
County Sheriff	240,976	246,576	245,704	872
County Treasurer	83,664	84,014	82,280	1,734
OSU Extension	14,980	15,230	15,010	220
County Clerk	88,585	89,485	89,211	274
Court Clerk	66,807	69,307	62,475	6,832
County Assessor	70,847	71,147	71,101	46
Revaluation of Real Property	78,556	78,556	71,398	7,158
General Government	193,544	186,730	144,475	42,255
Excise-Equalization Board	5,000	5,000	3,292	1,708
County Election Board	46,445	46,945	46,558	387
Insurance	251,900	256,900	252,457	4,443

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**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, 2006**

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continued from previous page

	Original Budget	Final Budget	Actual	Variance
Charity	500	500	-	500
Recording	12,002	12,002	8,034	3,968
Library	850	850	841	9
County Audit Budget	8,624	8,624	8,624	-
Free Fair Budget Account	5,600	5,650	5,624	26
Provision for Interest on Warrants	3,500	3,500	3,371	129
Total Expenditures, Budgetary Basis	1,178,543	1,188,379	1,115,277	73,102
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	152,249	\$ 152,249
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			8,653	
Add: Current Year Outstanding Warrants			30,842	
Ending Cash Balance			\$ 191,744	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.



**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, 2006**

	County Health Department Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances	\$ 193,344	\$ 193,344	\$ 193,344	\$ -
Less: Prior Year Outstanding Warrants	(11,308)	(11,308)	(11,308)	
Less: Prior Year Encumbrances	(3,648)	(3,648)	(3,610)	38
Beginning Cash Balances, Budgetary Basis	178,388	178,388	178,426	38
Receipts:				
Ad Valorem Taxes	111,702	111,702	107,051	(4,651)
Charges for Services			1,754	1,754
Intergovernmental Revenues			14	14
Miscellaneous Revenues			2,336	2,336
Total Receipts, Budgetary Basis	111,702	111,702	111,155	(547)
Expenditures:				
Health and Welfare	220,000	220,000	172,750	47,250
Capital Outlay	70,090	70,090	45,064	25,026
Total Expenditures, Budgetary Basis	290,090	290,090	217,814	72,276
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	\$ -	71,767	\$ 71,767
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			35,161	
Add: Current Year Outstanding Warrants			24,554	
Ending Cash Balance			\$ 131,482	

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**GRANT COUNTY, OKLAHOMA**  
**DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN CASH BALANCES—SINKING FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Beginning Cash Balance	<u>\$ 23,536</u>
Receipts:	
Ad Valorem Tax	21,280
Miscellaneous	<u>122</u>
Total Receipts	<u>21,402</u>
Disbursements:	
G.O. Bonds	20,000
Interest Paid	4,200
Fiscal Agent Fee	580
Wire Fees	<u>30</u>
Total Disbursements	<u>24,810</u>
Ending Cash Balance	<u><u>\$ 20,128</u></u>

The accompanying notes to the other supplementary information are an integral part of this schedule.  
See independent auditor's report.

**GRANT COUNTY, OKLAHOMA**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**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. Sinking Fund Schedule**

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

# STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA  
State Auditor

MICHELLE R. DAY, ESQ.  
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 [www.sai.ok.gov](http://www.sai.ok.gov)

## **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, 2006, 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 May 12, 2008. 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. Also, our report describes certain responsibilities of the State Auditor and Inspector's Office other than audit responsibilities. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Grant County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and responses as items 2006-1, 2006-7 and 2006-9.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2006-1 to be a material weakness.

### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2006-2, 2006-3, 2006-4, 2006-5, 2006-6, 2006-8, 2006-10, and 2006-11.

This report is intended solely for the information and use of the management of Grant County and should not be used for any other purpose. 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.



STEVE BURRAGE, CPA  
STATE AUDITOR & INSPECTOR

May 12, 2008

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**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 2006-1 – Segregation of Duties**

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. To help ensure a proper accounting of funds, the duties of asset custody, transaction authorization, bookkeeping, reconciliations, receiving, receipting, recording, and depositing cash and checks should be segregated.

Condition: Based on inquiries of County personnel and test work performed, it was noted that the duties of asset custody, transaction authorization, bookkeeping, reconciliations, receiving, receipting, recording, and depositing cash and checks within all County offices were not properly segregated to ensure adequate internal control.

Effect: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of assets.

Recommendation: OSAI recommends management be aware of this condition and realize that 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 knowledge of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: The County Clerk has begun checking the appropriations and transfers added to accounts at the end of each month. Also, the purchasing agent reviews payroll and the Court Clerk plans to train both deputies to do payroll in her absence if necessary.

The County Treasurer is becoming more active in the day to day transactions and periodic reviews of employees. Also, the Treasurer has implemented the creation of instruction manuals of daily and monthly in-office activity to ensure that the method is uniform.

District 1 is now receipting monies received at the district shop office and then depositing with the County Treasurer, which is then deposited with a miscellaneous receipt. Limited number of employees at the shop daily makes it difficult to segregate duties; however, every effort will be made to see that all duties are segregated.

District 2 is now receipting monies received at the district shop office and then depositing with the County Treasurer, which is then deposited with a miscellaneous receipt. All other duties are segregated.

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**Finding 2006-2 – Tax Roll Corrections**

Criteria: Title 68 O.S. § 2871 states, “After delivery of the tax rolls to the county treasurer of any county, no correction or alteration as to any item contained therein as of such date of delivery shall ever be made, except by the county treasurer and on authority of a proper certificate authorized by law or pursuant to order or decree of court in determination of a tax protest or other proper case.”

Condition: The amount recorded in the minutes of the Board of Tax Roll Corrections did not reflect the amount of the change on the tax roll. Tax Roll Correction certificate (EA 11-05) was for a decrease of \$519.18. The Board of Tax Roll Correction Minutes also stated the decrease of \$519.18; however, the tax roll reflected a decrease of only \$432.10.

Effect: This condition could result in erroneous assessment rolls.

Recommendation: OSAI recommends that any time a tax roll correction certificate needs to be adjusted, the tax roll correction certificate be voided and a new certificate with the corrected amount be issued after proper approval. OSAI further recommends that the Treasurer record only changes that have been properly authorized as set forth by 68 O.S. § 2871.

Views of responsible officials and planned corrective actions: The previous Assessor changed the document after it had been through a Tax Roll meeting, and no notation was made to reflect the change.

**Finding 2006-3 – Interest and Penalty on Delinquent Ad Valorem Taxes**

Criteria: Title 68 O.S. § 2913.A.2 states, “If the first half of the taxes levied upon an ad valorem basis for any such fiscal year has been paid before the first day of January, the second half shall be paid before the first day of April thereafter and if not paid, shall become delinquent on that date. In no event may payment be made in more than two equal installments subject to the provisions of the payment schedule specified in this subsection.”

Condition: In examining penalties applied to 39 receipts issued after April 15, 2006, we noted 9 instances of payments of delinquent tax that did not have penalty applied to them. After further investigation, it was noted that the penalty had been received on a receipt issued earlier. The earlier payment received did not however, include the penalty amount. Part of the payment received was applied to the penalty due, indicating that the ad valorem portion was only paid in part. A new statement was then issued with the “penalty amount” now listed as the “tax due.” Because of the manner in which the tax and penalty were receipted, it appears that the tax was paid in more than two installments or was partially paid after it was delinquent.

Effect: This condition results in noncompliance with the collection of ad valorem taxes and delinquent tax interest and penalty.

Recommendation: OSAI recommends the Treasurer change their receipting policies and procedures whenever an insufficient installment is received to the requirements set forth by 68 O.S. § 2913.

Views of responsible officials and planned corrective actions: There was a grace period of 2 weeks given



**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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by the previous administration. I have no grace period. Payments must be received or postmarked as of December 31 for the first half and March 31 for the second half to avoid penalty. I will waive penalties when it appears my office was at fault for not billing or collecting ad valorem tax in a timely manner and I will add documentation to the computer when penalties are waived.

**Finding 2006-4 – Ad Valorem Tax Interest Applied to Delinquent Payment**

Criteria: Title 68 O.S. § 2913.D states, “All delinquent taxes shall bear interest at the rate of 1.5% per month or major fraction thereof until paid.” Part F of this statute allows the Treasurer to waive penalty and interest when no fault of the taxpayer.

Condition: The test of delinquent taxes revealed 18 out of 39 tax receipts received after April 15, 2006, did not have interest penalty applied. There was no documentation as to why interest penalty had not been applied and collected by the County Treasurer.

Effect: This condition could result in improprieties in the collection of ad valorem taxes.

Recommendation: OSAI recommends that adequate documentation and approvals be noted when interest penalty has been waived.

Views of responsible officials and planned corrective actions: Previous administration gave a two week grace period. The current administration has no grace period, unless the office is at fault for not billing or collecting ad valorem tax in a timely manner, and will add documentation to the computer when penalties are waived.

**Finding 2006-5 - Test of Bids**

Criteria: Title 19 O.S. § 1501.A.3 includes that all purchases exceeding \$10,000 be competitively bid.

Condition: A test of 9 bids revealed 5 instances in which items were not bid nor was any evidence of the item being purchased from state contract attached to purchase order.

Effect: This condition could result in purchasing improprieties.

Recommendation: OSAI recommends that all items with a cost of more than \$10,000 and not purchased through state contract be competitively bid as set forth in 19 O.S. § 1501.A.3. OSAI further recommends that supporting documentation be attached to the purchase order.

Views of responsible officials and planned corrective actions: The County Clerk has implemented procedures to ensure that the County follows county bidding procedures on all bids.

District 2 Commissioner’s response was summarized as follows. Warrant #735 for a 2006 Ford pickup was purchased off State Bid Contract. On May 22, 2008, District 2 Commissioner delivered copies from

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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the State Bid to County Clerk to attach to Warrant # 735. When the Board of County Commissioners review the purchase orders for payment, the paperwork will be double checked to be certain that all the required documents have been attached by the purchasing agent.

OSAI response: Statutes require that all documentation be attached to claims prior to approval for payment by the Board of County Commissioners. Effective internal controls require that claims and documentation be reviewed and itemized invoices attached prior to approval for payment.

**Finding 2006-6 - Travel Related Reimbursements – Airplane Rental**

Criteria: In accordance with 19 O.S. § 163, "Each county officer or his deputy shall be entitled to reimbursement for all traveling expenses incurred in the performance of official duties. All expenses shall be paid upon sworn itemized claims."

Title 19 O.S. § 1501.A.3 states in part, "...The purchases shall be paid by attaching properly itemized invoices, as described in Section 1505 of this title, to a purchase order which has been prepared by the county purchasing agent and submitting both to the county clerk for filing, encumbering, and consideration for payment by the board of county commissioners."

Title 19 O.S. § 1505.E.9 states, "The invoice shall state the name and address of the vendor and must be sufficiently itemized to clearly describe each item purchased, the unit price when applicable, the number or volume of each item purchased, the total price, the total purchase price, and the date of the purchase."

Condition: The District 2 Commissioner was reimbursed on two separate travel claims for the rental of a Cessna airplane with pilot. An audit of the two separate travel claims revealed the following:

Travel claim dated October 20, 2005, included reimbursement for \$110.40 for rental of a Cessna 182 airplane on October 14, 2005, to "fly over and survey Leon Subera Land & Dike Dams." The only support documentation attached to the claim was a sheet that listed rental rates for airplanes from the Southwest Flight Center, located at 15041 N. Airport Drive #103, Scottsdale, Arizona 85260. There was not an invoice indicating that the rental of the Cessna 182 airplane by Grant County District 2 Commissioner was from Southwest Flight Center or that the rental occurred on October 14, 2005.

Travel claim dated March 13, 2006, included reimbursement for \$281.75 for the rental of a Cessna 182 airplane on March 11, 2006, to "fly to auction at Elk City Oklahoma." The only support documentation attached to this claim was a sheet that listed rental rates for airplanes from the Southwest Flight Center, located at 15041 N. Airport Drive #103, Scottsdale, Arizona 85260. There was not an invoice indicating that the rental of a Cessna 182 airplane by Grant County District 2 Commissioner was from Southwest Flight Center or that the rental occurred on March 11, 2006.

Effect: This condition could result in purchasing improprieties and employees being in violation of travel reimbursement policies.

Recommendation: OSAI recommends that supporting documentation including itemized invoices be attached to all claims. OSAI further recommends that the proper authorities review this finding to determine this was a proper expenditure for the County.

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Views of responsible officials and planned corrective actions: The response from District 2 Commissioner is summarized as follows: As recommended, I spoke with the proper authorities to determine that this was a proper expenditure for the County. This was discussed with District 1 and District 3 Commissioners and was determined to be appropriate travel in the performance of official duties. Additionally, I spoke with the Associate District Attorney for Grant County, and showed him the statutes that support the claim, again supporting the fact that this was official business travel. And yes, it is reported on a "Travel Claim" as was properly required. The Associate District Attorney's opinion was that the auditors were not declining the claim only that it needed to be better documented. The travel claims will also need to be explained for FYE 06-03-07 because the auditors fell behind on auditing the County. These same issues could possibly be an issue for FYE 06-30-08. In FY 07-08 travel reimbursement for the use of the same airplane was turned in. This FY 07-08 travel claim will be reviewed to make certain that the correct statutes reimbursement has been paid and adjusted as needed. In addition, in the future when it becomes necessary for travel by airplane, the correct reimbursement statutes will be applied.

OSAI response: State statutes require that all claims be properly documented and that itemized invoices be attached to claims prior to approval by the Board of County Commissioners for payment.

**Finding – 2006-7 – Holiday Leave**

Criteria: Safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are a part of internal controls, such as properly recording time on timesheets are deficiencies in internal controls.

Condition: During the fiscal year ending June 30, 2006, there were 12 holidays approved by the BOCC. Grant County District 2 employees work 4, 10 hour days. During months with approved holiday leave, the District 2 employees record 10 hours of compensated time for a scheduled holiday that falls during the Monday through Thursday work week. They should record 8 hours and use 2 hours annual leave, compensatory time, or work an additional 2 hours to make a full 10 hour day. The District 2 employees do not receive holiday leave when an approved holiday falls on a Friday. The District 2 employees received 9 of the 12 holidays. The 12 approved holidays, times 8 hours per day, totaled 96 hours versus the 9 holidays, times 10 hours per day, or 90 hours. The District 2 employees were shorted 6 hours of holiday leave that other county employees on a regular 8-hour time schedule received as a benefit.

Effect: This condition results in county employees not receiving equal benefits.

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

Recommendation: OSAI recommends that the District 2 Commissioner implement policies and procedures to ensure that employees utilize approved holidays. We also recommend that the District 2 Commissioner implement policies and procedures to ensure that a designated holiday is recorded as 8 hours and the remaining 2 hours is recorded as annual leave, compensatory time, or time worked.

Views of responsible officials and planned corrective actions: The first holiday following this audit was Memorial Day observed on May 26, 2008. District 2 employees worked an extra ½ hour for 4 days to make up the 2 hours that they would not have worked on that day but would have been paid by previous standards. The employees were then paid for an 8-hour day on May 26, 2008. From this time forward, when a holiday falls between Monday and Thursday, the needed extra hours will be worked during the same month, most likely the same week or the week prior. However, when a holiday falls on Friday (District 2's scheduled day off), employees will work 4 days at 8 hours per day, so they will not be overworked. District 2 employees will now receive equal benefits from Grant County for holiday pay.

Holiday pay will also need to be explained for FYE 6-30-07 because the auditors fell behind on auditing the County, and these same issues will be an issue for FYE 6-30-08 due to the lateness of the finding. Please note that the last paid holiday in this fiscal year has been corrected and all future holidays will be corrected for FY 08-09.

OSAI response: Effective internal control is an ongoing responsibility of County government. Furthermore, the County should have the proper authorities review their policy to ensure that all employees receive equal benefits.

**Finding 2006-8 – County Employee Leave Records**

Criteria: The Grant County Handbook states on page 14, "Each elected official shall be responsible for keeping records of the leave taken by his/her employees, and shall make monthly reports to the County Clerk. Such records shall include type and length of leave."

Condition: Each county officer maintained a vacation and sick leave balance report for their employees at their respective office. However, only the reports for District 2 were filed with the County Clerk/Payroll Clerk.

Effect: This condition could result in the County being in violation of its policy with regard to accrued leave, and possible abuse of compensated absences.

Recommendation: OSAI recommends Grant County officers comply with their county handbook policy with respect to the reporting of employee leave.

Views of responsible officials and planned corrective actions: As of January 2008, the County Clerk has backed up and recorded the leave record as submitted by each elected official.

District 1 and District 3: Beginning in FY 08-09, the Board of County Commissioners will address this issue and possibly require the County Clerk to generate a monthly log of each and every county employee. This log would then be approved with each month's payroll prior to making the payment. This

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

should alleviate any possible abuse of compensated time.

OSAI response: According to the Grant County Handbook, it is the responsibility of each county officer to make a monthly report that includes type and length of leave accrued and used and submit it to the County Clerk.

**Finding 2006-9 – Payroll/Timesheets**

Criteria: Effective internal controls include the use of consistent forms county-wide that accurately reflect hours worked, hours taken for annual, sick, and/or compensatory time, and holiday time and approval thereof. Additionally, time records should reflect annual leave, sick leave, and compensatory time balances, used and accrued.

Condition: Several different time sheet forms were used for the recording of hours worked by county employees. Time sheets did not reflect accurate leave balances, used or accrued.

Effect: This condition could result in abuse of compensated absences.

Recommendation: OSAI recommends that Grant County officials implement policies and procedures to create a uniform time sheet for all county employees that reflect the date worked, the hours worked, as well as time taken for annual leave, sick leave, or compensatory time. Additionally OSAI recommends that all time sheets or logs be maintained to show the annual leave used and accrued, the sick leave used and accrued, and the compensatory time used and accrued along with beginning and ending balances of each type of leave.

Views of responsible officials and planned corrective actions: The County Clerk now receives time sheet copies from each elected official for their offices. All of the courthouse employees use the same timesheet. The districts use a different form, but they all record annual and sick leave and compensatory time.

The summarized responses from the County Commissioners are as follows:

The S.A. & I. Form 2742 for payroll claim does not have a place to reflect annual leave, sick leave and compensatory time balances, used and accrued, nor does it have a place to reflect accurate leave balances, used or accrued. The “Standard” Grant County Claim for payroll includes all the exact information of this form but in a larger, easier-to-read format.

Are the auditors requesting more information from each of the officers because this information is included in District 2’s time sheets? If Oklahoma Statutes do not specifically state that this “criteria” be met, then it could place a hardship on other officers to require them to create a report for this information since the S.A. & I. does not presently have a form that could be incorporated.

All vacation and sick leave balance reports for District 1 and 3 are presently kept at the District shop

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

offices. The S.A. & I. does not presently have a form that includes this information. Is there a specific form that should be used in the future to give to the County Clerk/Payroll Clerk?

However, District 2 Executive Assistant once again has generated through Excel its own payroll claim form for regular time and for overtime which does include annual leave, sick leave and compensatory time balances, used and accrued; these calculations are automatically tabulated after each and every entry. District 2 will continue to use these generated payroll claims; however, if Oklahoma Statutes do not specifically state that this “criteria” be met, then it could place a hardship on other officers to require them to create a report for this information since the S.A. & I. does not presently have a form that could be incorporated. If the other officers opted to use District 2’s format, each officer’s computer would be required to have the program Excel in service. If they do not already have Excel program, it could become a monetary problem. Only one Excel program can be legally loaded onto one computer, seven different offices would require seven Excel programs at a high price.

OSAI response: The overall goal of effective internal controls is to demonstrate accountability and stewardship. Effective internal controls include the use of consistent forms county-wide that accurately reflect hours worked, hours taken for annual, sick, and/or compensatory time, and holiday time and approval thereof. Furthermore, according to the Grant County Handbook, it is the responsibility of each county officer to make a monthly report and submit it to the County Clerk which includes type and length of leave accrued and used.

**Finding 2006-10 – Payment of Accrued Annual Leave**

Criteria: The Employee Personnel Policy Handbook for Grant County 2006, page 19 states, “Upon appropriate separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.” There are no provisions in the policy for accrued leave to be paid without appropriate separation of employment or annual leave taken.

Condition: It was noted that an employee in District 3 received his regular payroll payment plus an additional payment for 16 ½ days of accumulated vacation leave. Based on a signed note from the County Commissioner, this employee did not “separate” or leave the employment with the County. The additional payment totaled \$1,552.92 less deductions.

Effect: This condition could result in the County being in violation of its policy with regard to payment of accrued leave.

Recommendation: OSAI recommends the Board of County Commissioners follow the policies that have been established in the Employee Personnel Policy Handbook for Grant County. OSAI further recommends that the proper authorities review the overpayment to this employee to determine if a pay-back from the employee is necessary.

Views of responsible officials and planned corrective actions: The summarized response from District 3 is as follows:

“This particular employee is quite unique and is considered to be an irreplaceable employee. Not only does this man do the work of two men in half the time but he also enjoys his job and is very dedicated to

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

---

the work he performs for the county. This man is so dedicated to his work that he would rather work than have time off. He has worked for the county for numerous years and has EARNED the right to have the vacation time (either in time off or in time paid). My opinion was to treat this employee fairly in an effort to balance his pay with other employees. To balance his pay he was allowed to receive the cash equivalency as if he had worked the hours. I realize that the County Clerk has always had a problem with this because the courthouse employees cannot be afforded this option due to a very tight and lean county budget. However, highway funds as well as highway work loads are considerably different and cannot be compared in daily work schedules. Highway people are always on call 24/7 due to Mother Nature. When storms arrive, men also arrive at work – the time clock means nothing – yes 24/7 IS the work schedule for the road crews.”

“Beginning in FY 08-09, the Board of County Commissioners will address this issue and take a look at the legal issues for changing the employee personnel policy handbook to allow for payment of annual leave in extreme extenuating circumstances. This will be a “repeat” in FY 07-08 because the past two years audits have not been timely as required by law.”

OSAI response: Effective internal controls over compliance are an ongoing responsibility of County management.

Furthermore, The Employee Personnel Policy Handbook for Grant County 2006, page 19 states, “Upon appropriate separation, an employee will be paid for the balance of accrued annual leave up to the accumulation limit.” There are no provisions in the policy for accrued leave to be paid without appropriate separation of employment or annual leave taken.

#### **Finding 2006-11 – Travel Reimbursement**

Criteria: In accordance with 19 O.S. § 163, “Each county officer or his deputy shall be entitled to reimbursement for all traveling expenses incurred in the performance of official duties. All expenses shall be paid upon sworn itemized claims.” The form prescribed for county official travel reimbursement is Form #1117 (2000). Additionally, 19 O.S. § 164 states, “When transportation involves the use of the private automobile of a county officer, deputy, or county employee entitled to reimbursement, such county officer, deputy or employee shall be entitled to claim reimbursement for use thereof at the rate provided for in the State Travel Reimbursement Act for state officers and employees. Official duties shall include attendance by a county officer and at least one of his deputies for voluntary instruction.”

IRS Guidelines regarding “personal commuting” states as follows:

Reimbursements for non-business travel are always taxable even if paid at or below the Federal mileage rate and are to be included in regular wages and subject to all income and employment taxes. Non-business travel is considered personal use.

Personal commuting between the residence and the principal place of business is considered non-business travel or personal use.

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Additionally, IRS Guidelines regarding “Meals away from tax home but not overnight” state as follows:

Generally, these meals are taxable as wages to the employee, because travel must be away from home overnight to be excludable.

Directly-Related Test – Meal reimbursements meet the directly-related test and may be excludable from wages if:

1. The main purpose of the combined business and meal is the active conduct of business,
2. Business is actually conducted during the meal period, and
3. There is more than a general expectation of deriving income or some other specific business benefit at some future time.

All of the facts must be considered, including the nature of the business transacted and the reasons for conducting business during the meal. If the meal takes place in a clear business setting and is for your business or work, the expenses are considered directly related to your business or work.

Condition: Each of the County Commissioners elected to drive their personal vehicles and receive mileage reimbursement for job related travel. The claims were submitted on a monthly claim for mileage reimbursement. An audit of the travel claims for the three County Commissioners for the fiscal year ended June 30, 2006, revealed the following discrepancies:

- In one claim, the number of miles driven by District 3 Commissioner was miscalculated by 67 miles using the same beginning odometer readings reported for 9-23-05 and 11-15-05.
- In many claims, the destination or nature of business was not documented on the claim.
- The District 1 and District 2 County Commissioners were reimbursed on monthly travel claims for meal expenses that were incurred during daily commutes, without overnight stays. These meal reimbursements were not reported to the IRS as taxable fringe benefits.
- It appears that commuting miles from the County Commissioner’s homes to their “duty station” were included in the reimbursement of monthly mileage on travel claims for the District 1 and District 2 County Commissioners.
- The District 1 and District 3 County Commissioners did not reimburse the County for undocumented mileage reported as finding 2005-4 for the audit of fiscal year June 30, 2005.
- The total undocumented and questionable cost that the County Commissioners may have received for travel reimbursements and non-reported taxable fringe benefits are as follows: District 1, \$1,146.45; District 2, \$1,689.60; and District 3, \$2,004.89.

This mileage was reported and signed by each County Commissioner on a sworn itemized claim as prescribed by 19 O.S. § 163.



**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Effect: This condition could result in employees being in violation of travel reimbursement policies and a possible tax liability for the employee, since commuting miles and meals reimbursed while not in overnight travel status may be considered a taxable fringe benefit.

Recommendation: OSAI recommends the Board of County Commissioners adhere to the requirements of 19 O.S. §163 and §164 and document accurately travel reimbursement claims as to provide accountability over County funds for reimbursement. Documentation should be submitted on Form #1117, (2000) detailing the “nature of business” for each trip.

OSAI additionally recommends that reimbursements for “personal commuting” as defined by IRS Guidelines Section 162, and that reimbursement for meals that are not subject to overnight stay or are not part of a called business meeting, as defined by IRS Guidelines Section IRC Reg § 1.274-2 (c) and (d) be included as a taxable fringe benefit on the W-2 of the County Commissioner.

OSAI further recommends that the proper authorities review this finding to determine if any reimbursements are required.

Views of responsible officials and planned corrective actions: The summarized responses of the three County Commissioners are as follows:

The main issue here is that better documentation needs to be made to travel claims. This will be clearly done in the future plus all FY 2007 Travel Reports will be reviewed to make sure they have been properly documented. The other issue concerns the “work station.” County Commissioners’ responsibilities are wide in scope, covering everything from roads and bridges to overseeing the county courthouse to serving on numerous boards.

With this in mind it is difficult at best to log where a commissioner spends most of their time. Most days are spent inside a vehicle checking roads, checking on crews, doing maintenance on roads and bridges, placing road signs, checking shale pits or rock quarries, picking up materials and supplies, meeting with constituents, and for the past two years working with FEMA and OEMA on repairing disaster damages. Other times are spent attending numerous board meetings, taking and making phone calls, locating and purchasing materials, working on budgets, documenting, overseeing the operations of the courthouse, and so much more that it would take pages and pages to list. To understand the scope of work required of a county commissioner you can read through Oklahoma Statutes Title 19 and Title 69.

With all this said, Commissioners spend time in numerous locations. I believe that the total time spent and the level of the county business would be mostly on roads; therefore, Commissioners would be mobile with no specific “duty station” other than the vehicle driven. Furthermore, several board meetings are held at eating establishments in which business is conducted and therefore would not require overnight lodging. Additionally, it is not uncommon to combine business with a meal to conduct business. As for the documentation on the expense report, the mileage claimed was within the boundaries of the District and or within the Grant County boundaries.

District 2 Commissioner also stated that, “Furthermore, meals were paid to District 2 Webmaster during the week-ends that I stayed the nights in Stillwater while working on the website....” “Grant County District 2 has and continues to *“derive some other specific business benefit as some future time.”(sic)*

**GRANT COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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The sworn itemized claim as prescribed by O.S. Title 19 § 163 is indeed taken very seriously! The information known at the time of these claims to the best of my knowledge was “just, correct, due and according to law.” Other information has come to light in some areas but the vast majority of the claims were not documented to the satisfaction and opinion of one auditor.

Travel claims will also need to be explained for the FYE 6-30-07 because the auditors fell behind on auditing the county. And these same issues could possibly be an issue for FYE 6-30-08. Therefore, the FY 07-08 travel claims will be examined again to make any corrections needed.

OSAI Form 1117 clearly does not incorporate all the documentation requested by the auditor. The very small box at the top of the form asked only for “Nature of Business” which for a 30-day travel claim would not allow the needed area to include the daily required list of where the travel was and what it was for. The form designed by District 2 Executive Assistant using Excel gave all the same information on Form 1117 plus so much more information.

OSAI response: Title 19 requires that all claims be properly documented and have itemized invoices attached prior to approval for payment by the Board of County Commissioners. Reimbursement for meals which do not require overnight travel status must meet certain IRS requirements in order to not be considered a taxable benefit. Furthermore, all meetings conducted by the Board are to be posted, designating the meeting place, in accordance with the Open Meetings Act. OSAI Form 1117 is a Travel Claim form. Entities using this form for travel reimbursement may need to add notes or additional pages if the space allowed to designate the nature of the business travel is not sufficient to explain the travel for reimbursement purposes. Additional space may also be needed and should be added when necessary to demonstrate that certain IRS requirements are met to ensure the tax treatment of any given situation is appropriate.

General OSAI response: Grant County has been audited in accordance with state statutes. Title 19 O.S. §171 requires that each county be audited by the State Auditor and Inspector once every two years. Effective internal controls over compliance are an ongoing responsibility of County management.



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