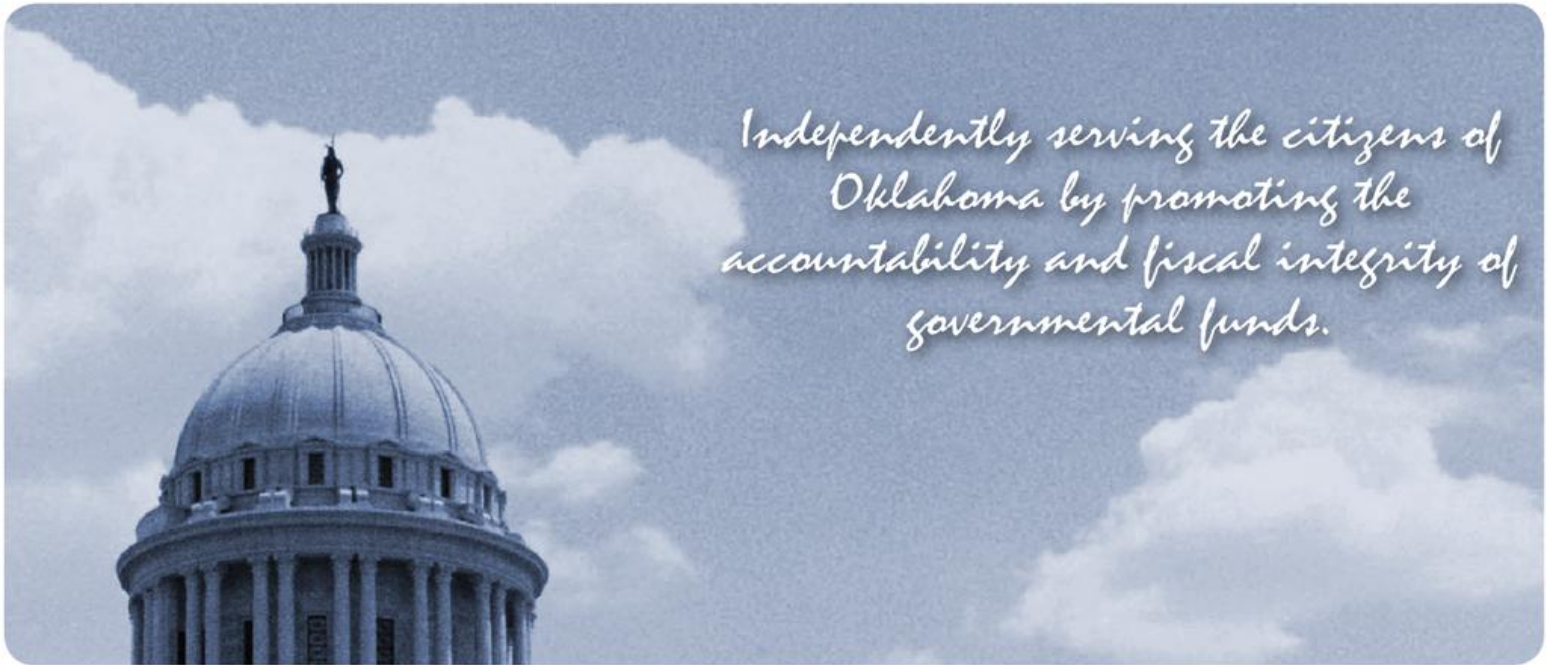


COUNTY AUDIT

GRADY COUNTY

For the fiscal year ended June 30, 2010



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

**GRADY COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

July 28, 2014

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma for the fiscal year ended June 30, 2010. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

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

**GRADY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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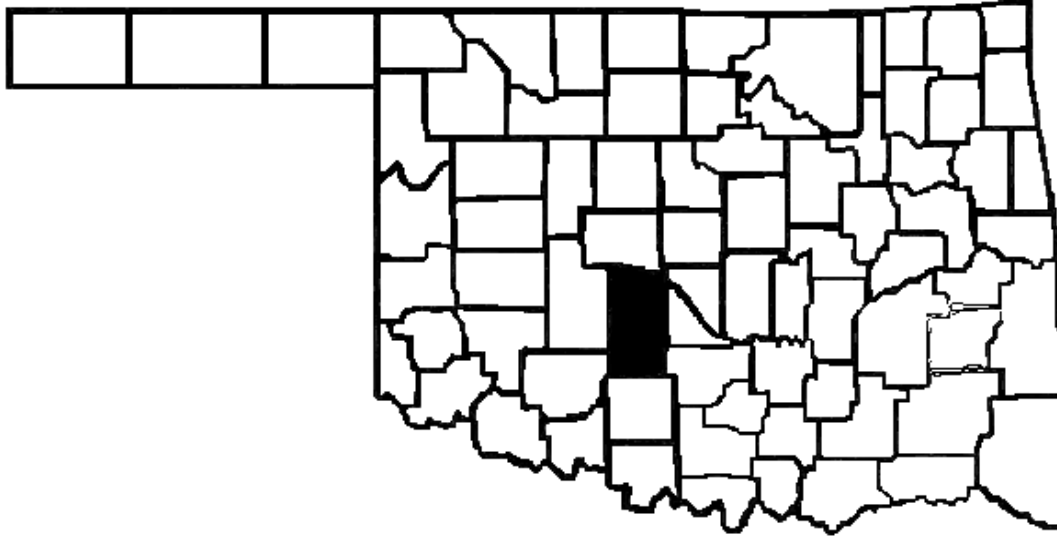
GRADY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**GRADY COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**



Grady County was created at statehood and named for Henry W. Grady, editor of the *Atlanta Constitution*. Chickasha, the county seat, was named for the Chickasaw Indians and is known as the “Queen City of the Washita” because of its strategic location.

In addition to the H.E. Bailey turnpike and the other highways, the OKT-MKT and Burlington-Northern railroads serve the transportation needs of the county.

Specialized educational needs are met by the Jane Brookes School for the Deaf and the University of Science and Arts of Oklahoma, all in Chickasha. Recreational opportunities are available at Lakes Burtschi and Chickasha.

Summer rodeos and swap meets attract visitors to the area, as does the annual Watermelon Festival at Rush Springs, the “Watermelon Capital of the World.” Other annual events include the Festival of Lights, the Grady County Fair, the Firefighters Chili Cook-Off, and the Veterans Parade.

Contact the Grady County Historical Society and the chamber of commerce for more information, or call the county clerk’s office at (405) 224-7388.

County Seat – Chickasha

Area – 1,105.3 Square Miles

County Population – 50,615
(2007 est.)

Farms – 1,850

Land in Farms – 608,373 Acres

Primary Source: Oklahoma Almanac 2010-2011

**GRADY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Board of County Commissioners

District 1 – Windle Hardy
District 2 – Mike Lennier
District 3 – Jack Porter

County Assessor

Bari Firestone

County Clerk

Sharon Shoemake

County Sheriff

Art Kell

County Treasurer

Robin Burton

Court Clerk

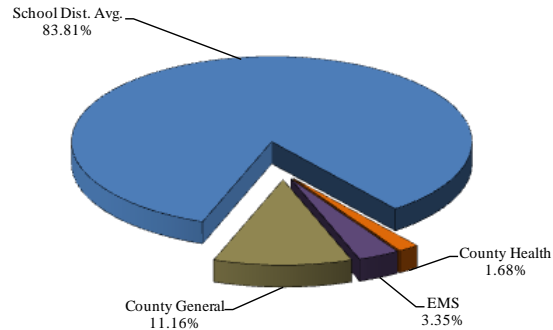
Lois Foster

District Attorney

Bret Burns

**GRADY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

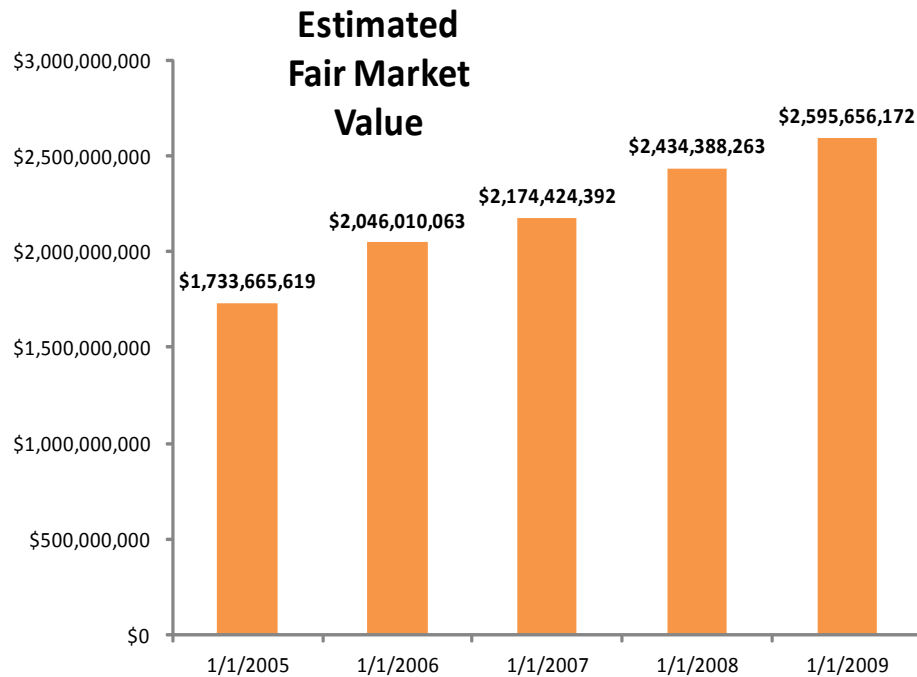
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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.	Skd.	Career Tech	Common	Total
County General	10.33								
County Health	1.55	Chickasha	I-1	35.78	5.11	28.45	15.46	4.13	88.93
EMS	3.10	Minco	I-2	35.99	5.14	19.26	15.46	4.13	79.98
		Friend	I-37	36.57	5.22	23.77	15.46	4.13	85.15
		Ninnekah	I-51	36.37	5.20	12.19	15.46	4.13	73.35
		Alex	I-56	36.27	5.18	11.18	15.46	4.13	72.22
		Rush Springs	I-68	36.07	5.15	11.04	-	4.13	56.39
		Bridgecreek	I-95	36.44	5.21	27.95	11.38	4.13	85.11
		Middleberg	I-96	36.55	5.22	28.51	-	4.13	74.41
		Tuttle	I-97	36.25	5.18	26.56	15.46	4.13	87.58
		Verden	I-99	37.35	5.34	15.71	11.65	4.13	74.18
		Amber-Pocasset	I-128	36.20	5.17	4.81	15.46	4.13	65.77
		Pioneer	I-131	36.96	5.28	15.12	15.46	4.13	76.95
		Cement	J-160	36.40	5.20	12.55	11.65	4.13	69.93
		Sterling	J-3	37.48	5.35	13.29	14.61	4.13	74.86
		Fletcher	J-9	35.10	5.01	22.38	14.61	4.13	81.23
		Lindsay	J-9	36.35	5.19	15.43	11.38	4.13	72.48
		Newcastle	J-1	36.69	5.24	31.47	11.38	4.13	88.91
		Dibble	J-2	36.68	5.24	33.67	11.38	4.13	91.10
		Blanchard	J-29	36.92	5.27	46.59	11.38	4.13	104.29
		Marlow	J-3	36.96	5.28	-	12.19	4.13	58.56
		Marlow-Central	J-34	35.18	5.03	13.65	12.19	4.13	70.18
		Bray-Doyle	J-42	35.41	5.06	6.59	12.19	4.13	63.38
		MJ-NTC	J-971	36.69	5.24	31.47	11.38	4.13	88.91

**GRADY COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

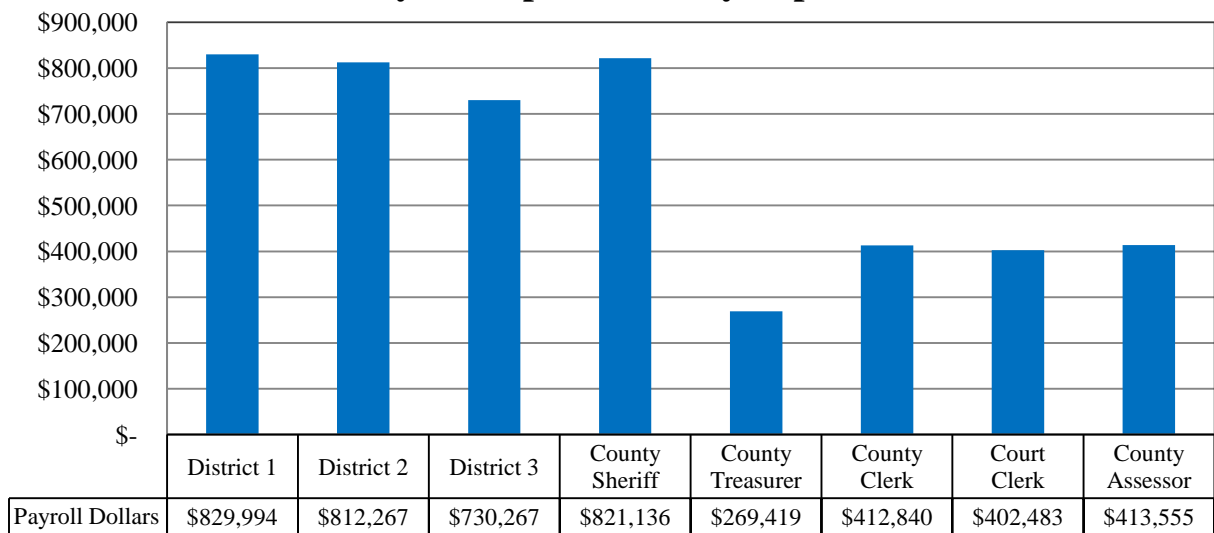
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2009	\$67,434,023	\$30,978,269	\$203,272,462	\$15,400,455	\$286,284,299	\$2,595,656,172
1/1/2008	\$73,228,631	\$30,229,879	\$180,001,401	\$12,829,170	\$270,630,741	\$2,434,388,263
1/1/2007	\$56,527,258	\$29,143,553	\$168,629,706	\$12,732,187	\$241,568,330	\$2,174,424,392
1/1/2006	\$51,621,953	\$31,129,502	\$158,453,398	\$12,724,247	\$228,480,606	\$2,046,010,063
1/1/2005	\$41,602,248	\$37,195,303	\$146,903,988	\$12,384,624	\$213,316,915	\$1,733,665,619



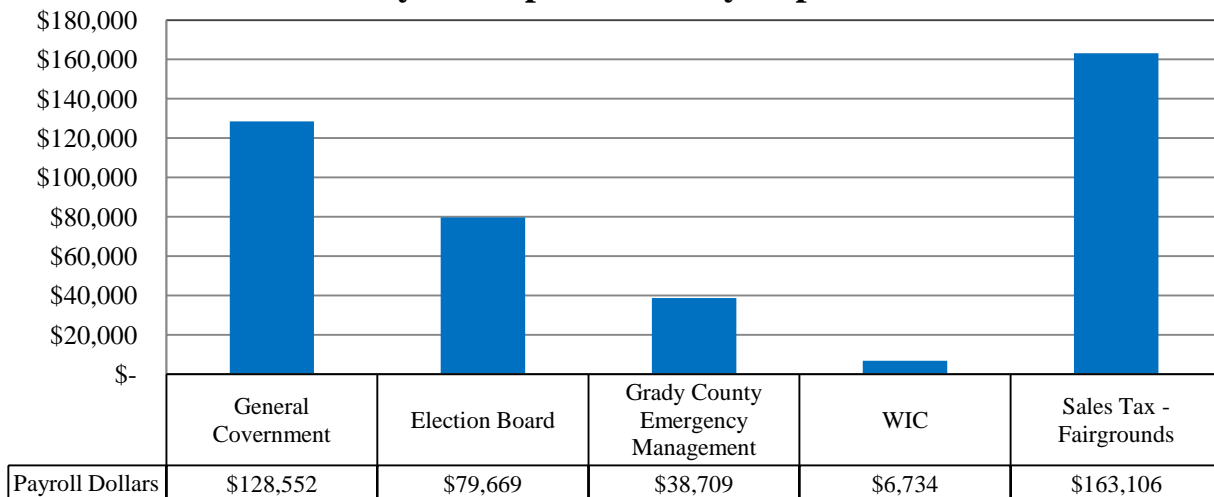
**GRADY COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2010.

Payroll Expenditures by Department



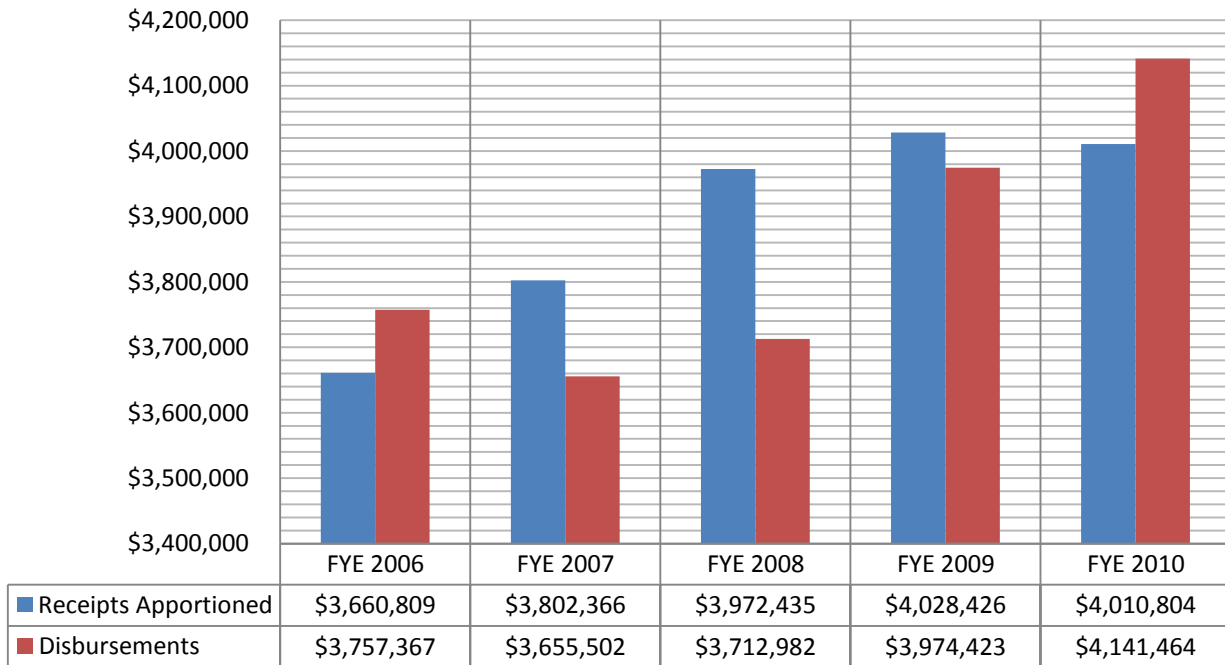
Payroll Expenditures by Department



**GRADY COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County General Fund

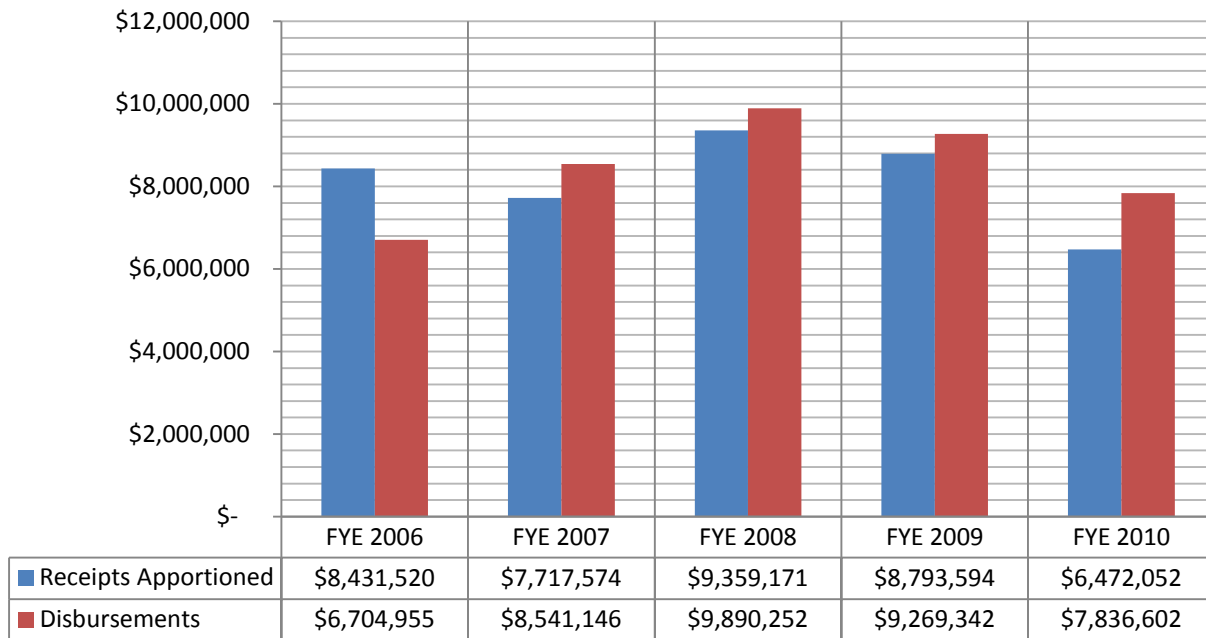
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**GRADY COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2010, listed in the table of contents as the financial statement. This financial statement is the responsibility of Grady County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Grady County as of June 30, 2010, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Grady County, for the year ended June 30, 2010, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014, on our consideration of Grady County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized flourish at the end.

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

July 28, 2014

REGULATORY BASIS FINANCIAL STATEMENT

GRADY COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2010
Combining Information:						
Major Funds:						
County General Fund	\$ 918,231	\$ 4,010,804	\$ -	\$ 180,000	\$ 4,141,464	\$ 607,571
County Health	309,864	457,284	-	-	399,448	367,700
County Highway	4,331,164	6,472,052	750,000	750,000	7,836,602	2,966,614
County Sales Tax	1,959,934	1,017,273	-	-	2,066,819	910,388
County Sinking	2	-	-	-	-	2
Resale Property	395,579	309,819	-	-	181,252	524,146
911 Countywide Emergency	162,633	364,139	-	-	337,205	189,567
Fire Department/FEMA Grant	1,102	258,552	-	-	255,428	4,226
Remaining Aggregate Funds	540,753	870,647	180,000	-	1,059,299	532,101
Combined Total - All County Funds, As Restated	\$ 8,619,262	\$ 13,760,570	\$ 930,000	\$ 930,000	\$ 16,277,517	\$ 6,102,315

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

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Grady County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

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

County Sales Tax – accounts for the collection of sales tax revenue used for the renovation and maintenance and operation of the county fairgrounds.

County Sinking – accounts for the payment of interest and principal on the matured portion of long-term bonded debt and civil judgments. 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.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

911 Countywide Emergency – accounts for receipt fees for the purpose of maintaining a 911 service.

Fire Department/FEMA Grant – accounts for grant monies received and disbursements are for fire equipment for rural fire departments.

C. Basis of Accounting

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

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

D. Budget

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

E. Cash and Investments

For the purposes of financial reporting, “Ending Cash Balances, June 30” includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County’s books. The balance in the pooled cash accounts is available to meet current operating requirements.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

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

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

D. Sales Tax

Grady County voters approved a 15 year, 1/4% sales tax on September 14, 1999. The proceeds derived from the sales tax are for acquiring, constructing, and equipping additions and improvements to the Grady County Fairgrounds, or to retire any bonds issued for such purposes, and to operate and maintain the Grady County Fairgrounds. Sales tax collections began on January 1, 2000, and will end on January 1, 2015. The sales tax is apportioned to the County Sales Tax Fund for the designated purpose.

E. Interfund Transfers

During the fiscal year, the County made the following transfer between cash funds.

- \$180,000 was transferred from the County General Fund to the Restricted Capital Improvement fund for courthouse renovations and the money was not repaid within the fiscal year.
- \$750,000 was transferred from Emergency Transportation Revolving Fund (ETR), a trust and agency fund to the County Highway fund. These transfers were required due to these monies being a loan for road and bridge projects.

GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

F. Reclassification

Due to the reclassification of funds for fiscal year ending June 30, 2010, the beginning balance as reported is different than the June 30, 2009 ending balance. The difference is due to two funds being reported as trust and agency funds in fiscal year 2009 that should have been classified as county funds.

Prior year ending balance, as reported	\$8,469,052
Resale Investment reclassified to County Funds	150,000
Sheriff Drug Forfeiture reclassified to County Funds	<u>210</u>
Prior year ending balance, as restated	<u>\$8,619,262</u>

G. Restatement of Prior Year Ending Balance

Due to the reclassification of funds for fiscal year ending June 30, 2010, the ending balance for the County Highway as reported is different than the June 30, 2009, ending balance. The difference is due to the General Fund Investment, being combined into the County Highway for fiscal year ending 2010. These funds should be combined; therefore, the County Highway fund beginning balance was increased by the amount of the General Fund Investment ending balance of \$595,000.

Prior year ending balance for County Highway, as reported	\$3,736,164
General Fund Investment moved to County Highway	<u>595,000</u>
Prior year ending balance for County Highway, as restated	<u>\$4,331,164</u>

OTHER SUPPLEMENTARY INFORMATION

GRADY 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, 2010

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 918,231	\$ 918,231	\$ -
Less: Prior Year Outstanding Warrants	(113,391)	(113,391)	-
Less: Prior Year Encumbrances	(116,695)	(103,587)	13,108
Beginning Cash Balances, Budgetary Basis	688,145	701,253	13,108
Receipts:			
Ad Valorem Taxes	2,661,946	2,956,244	294,298
Charges for Services	345,807	278,602	(67,205)
Intergovernmental Revenues	615,265	643,027	27,762
Miscellaneous Revenues	197,240	132,931	(64,309)
Total Receipts, Budgetary Basis	3,820,258	4,010,804	190,546
Expenditures:			
District Attorney	4,000	3,979	21
County Sheriff	910,365	907,833	2,532
County Treasurer	320,603	319,903	700
County Commissioners	647	-	647
OSU Extension	124,948	124,919	29
County Clerk	466,581	456,540	10,041
Court Clerk	356,465	355,932	533
County Assessor	240,867	240,039	828
Revaluation of Real Property	386,519	358,103	28,416
General Government	575,871	471,323	104,548
Excise-Equalization Board	4,900	3,232	1,668
County Election Board	180,365	102,519	77,846
Charity	37,360	22,631	14,729
Civil Defense	149,062	149,062	-
Intergovernmental	600,000	600,000	-
County Audit Budget Account	149,850	61,485	88,365
Total Expenditures, Budgetary Basis	4,508,403	4,177,500	330,903
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	534,557	\$ 534,557
Operating Transfers		(180,000)	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		113,171	
Add: Current Year Encumbrances		139,843	
Ending Cash Balance		\$ 607,571	

GRADY 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, 2010

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 310,239	\$ 309,864	\$ (375)
Less: Prior Year Outstanding Warrants	(51,965)	(51,965)	-
Less: Prior Year Encumbrances	(2,240)	(1,208)	1,032
Beginning Cash Balances, Budgetary Basis	256,034	256,691	657
Receipts:			
Ad Valorem Taxes	399,421	444,106	44,685
Charges for Services	12,152	12,528	376
Intergovernmental	-	152	152
Miscellaneous Revenues	-	498	498
Total Receipts, Budgetary Basis	411,573	457,284	45,711
Expenditures:			
Health and Welfare	667,607	414,772	252,835
Total Expenditures, Budgetary Basis	667,607	414,772	252,835
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	299,203	\$ 299,203
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		36,169	
Add: Current Year Outstanding Warrants		32,328	
Ending Cash Balance		\$ 367,700	

GRADY COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Beginning Cash Balances July 1, 2009	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2010
Remaining Aggregate Funds:						
Sheriff Service Fee	\$ 142,179	\$ 245,708	\$ -	\$ -	\$ 274,113	\$ 113,774
Restricted Capital Improvement	2,749	-	180,000	-	100,639	82,110
County Clerk Lien Fee	58,205	36,441	-	-	34,346	60,300
County Clerk Preservation Fund	123,779	73,200	-	-	143,568	53,411
Assessor Revolving Fund	7,771	3,919	-	-	7,219	4,471
Treasurer Mortgage Tax	10,519	12,060	-	-	11,402	11,177
Assessor Visual Inspection	185	1	-	-	-	186
Sheriff Training	79	-	-	-	-	79
Sheriff BVP FY 2002 Grant	155	-	-	-	-	155
Sheriff DARE Donations	140	-	-	-	-	140
Sheriff Drug Forfeiture	210	3,378	-	-	3,378	210
Sheriff Drug Buy	1,698	-	-	-	1,450	248
Resale Investment	150,000	-	-	-	-	150,000
Sheriff LLEBG - FY 2004	13	25,651	-	-	25,663	1
REAP Grant 2006	371	-	-	-	371	-
REAP Grant 2005	1,359	-	-	-	1,031	328
WIC Cash Fund	33,450	38,220	-	-	17,254	54,416
Burne Formula Grant	1,037	-	-	-	1,037	-
Emergency Operations Planning Grant	21	-	-	-	21	-
Sheriff K-9 Donation	3,313	1,150	-	-	3,992	471
REAP ASCOG	3,275	-	-	-	3,275	-
CDGB Rural Water	245	206,910	-	-	207,128	27
Sheriff Estray Animal	-	552	-	-	300	252
Littering Reward Fund	-	100	-	-	-	100
US Department Of Energy Stimulus	-	211,086	-	-	211,086	-
FEMA - Hazard Mitigation Grant	-	12,271	-	-	12,026	245
Combined Total - Remaining Aggregate Funds	\$ 540,753	\$ 870,647	\$ 180,000	\$ -	\$ 1,059,299	\$ 532,101

GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

2. Remaining County Funds

Remaining aggregate funds as presented on the financial statement are as follows:

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

Restricted Capital Improvement – accounts for monies used for the renovation and remodeling of courthouse property.

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

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

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

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

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

Sheriff Training – accounts for grant monies and disbursed for training purposes only.

Sheriff BVP FY2002 Grant – accounts for grant monies received and used to purchase bulletproof vests.

GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Sheriff DARE Donations – accounts for grant monies and donations received by the Sheriff's office for the DARE program.

Sheriff Drug Forfeiture – accounts for monies collected from seizure of money from drug busts and expended on drugs used to run a sting operations.

Sheriff Drug Buy – accounts for monies received from drug forfeitures and is used for payments for the purchase of illegal drugs in sting operations.

Resale Investment – Investment of monies collected from publications on resale property.

Sheriff LLEBG – FY 2004 – accounts for grant monies received used to purchase equipment as restricted by the grant agreement.

REAP Grant 2006 – accounts for grant monies received and disbursements are for firefighting equipment.

REAP Grant 2005 – accounts for grant monies received and disbursements are for firefighting equipment.

WIC Cash Fund – accounts for grant monies received to reimburse the County for the operation of the WIC program.

Burne Formula Grant – accounts for grant monies received for the purchase of bulletproof vests, special uniforms, and gun holsters.

Emergency Operations Planning Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

Sheriff K-9 Donation – accounts for donations made to the Sheriff's office to provide care for the K-9 dogs.

REAP ASCOG – accounts for grant monies received and disbursed as restricted by the grant agreement.

CDBG Rural Water – accounts for grant monies received for a new water tower, water lines, and water system.

Sheriff Estray Animal – accounts for monies collected from donations and expended for feed and other items necessary to care for abandoned animals.

Littering Reward Fund – accounts for monies received from donations and expended for information that leads to the capture of those illegally dumping trash.

GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

US Department of Energy Stimulus – accounts for monies collected from federal funds and expended for an energy efficient roof for the courthouse and LED signal lights for the city of Chickasha.

FEMA – Hazard Mitigation Grant – accounts for grant monies received and disbursed as restricted by the grant agreement.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Oklahoma State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		\$ 17,254
Total U.S. Department of Agriculture			<u>17,254</u>
U.S. DEPARTMENT OF JUSTICE			
Direct Grant:			
Local Law Enforcement Block Grants Program	16.592		25,663
Bulletproof Vest Partnership Program	16.607		5,813
Total U.S. Department of Justice			<u>31,476</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma State Department of Commerce:			
Community Development Block Grants State's program and Non-Entitlement Grants in Hawaii	14.228		192,931
Total U.S. Department of Housing and Urban Development			<u>192,931</u>
U.S. DEPARTMENT OF ENERGY			
Direct Grant:			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG) - City of Chickasha	81.128		121,086
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG) - Grady County	81.128		90,000
Total U.S. Department of Energy			<u>211,086</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	DR-1876	100,263
Hazard Mitigation Grant	97.039		12,026
Emergency Management Performance Grants	97.042		15,500
Assistance to Firefighters Grant	97.044		259,654
Total U.S. Department of Homeland Security			<u>387,443</u>
Total Expenditures of Federal Awards			<u><u>\$ 840,190</u></u>

GRADY COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

TO THE OFFICERS OF
Grady COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Grady County, Oklahoma, as of and for the year ended June 30, 2010, which comprises Grady County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 28, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2010, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting. 2010-1, 2010-3, 2010-4, and 2010-9.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. 2010-10.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grady County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-4.

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

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

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

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

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

July 28, 2014



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
GRADY COUNTY, OKLAHOMA

Compliance

We have audited the compliance of Grady County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Grady County's major federal programs for the year ended June 30, 2010. Grady County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of Grady County's management. Our responsibility is to express an opinion on Grady County's compliance based on our audit.

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

In our opinion, Grady County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-14, 2010-15, and 2010-17 to be material weaknesses.

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized flourish at the end.

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

July 28, 2014

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SECTION 1—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)

81.128

Name of Federal Program or Cluster

ARRA – Energy Efficiency and
Conservation Block Grant Program
(EECBG) – City of Chickasha

81.128

ARRA – Energy Efficiency and
Conservation Block Grant Program
(EECBG) – Grady County

97.044

Assistance to Firefighters Grant

GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Finding 2010-1 – Inadequate Segregation of Duties – County Treasurer

Condition: The County Treasurer has segregated the duties of preparing/reviewing deposits and performing bank reconciliations; however, the employees who perform these duties also issue receipts and prepare journal entries. In addition, all employees are able to void receipts. A daily mail log is not maintained, and there is no independent oversight of the accuracy of the compilation of the monthly reports.

Cause of Condition: In order to provide prompt services to the citizens of Grady County and for ease of operations, the County Treasurer's office utilizes all employees to issue receipts. Additionally, due to the limited number of personnel, one individual is sometimes responsible for all key functions of the office.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits and taking them to the bank.
- Maintaining accounting ledgers and reconciling bank statements.

In addition, OSAI recommends establishing a system of internal controls to adequately protect the collections of the Treasurer's office, which include but are not limited to compiling a daily mail log of payments received in the mail.

In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating internal controls to mitigate the risks involved with a concentration of duties. Compensating internal controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Management Response:

County Treasurer: Management is aware of this condition and will work to implement compensating controls to mitigate the risk involved with a concentration of duties.

Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and possible misappropriation of funds.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2010-3 – Inadequate Internal Controls Over the Payroll Process

Condition: Upon inquiry and observation of the County's payroll process, it was noted that the Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, and maintains personnel files.

Cause of Condition: Policies and procedures have not been designed with regards to segregation of duties and/or compensating controls of the payroll process.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends 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

OSAI also recommends the following key account functions of the payroll process be adequately segregated:

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

Management Response:

County Clerk: Compensating controls over payroll will be implemented. The key payroll processes will be separated where possible. All reviews will be documented and dated.

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

Finding 2010-4 – Inadequate Internal Controls and Noncompliance Over Purchasing

Condition: Of the sixty expenditures tested, the following exceptions were noted:

- Eight purchase orders were not timely encumbered.

Fund	Office	Purpose	Purchase Order Number	Amount
General	County Treasurer	Supplies	182	\$38.58
General	General Government	Publications	1581	\$45.90

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Fund	Office	Purpose	Purchase Order Number	Amount
General	District Attorney	Law Books	2341	\$181.88
General	County Clerk	Dues	2348	\$40.00
Highway	County Highway	Mileage	2921	\$153.00
General	County Clerk	Postage	3318	\$1,000.00
County 911	County 911	OLETS Fee	3387	\$350.00
Highway	County Highway	Parts	3894	\$34.30

- Eight purchase orders had no receiving report.

Fund	Office	Purpose	Purchase Order Number	Amount
General	Jail Bond Payment	House County Prisoners	1405	\$600,000.00
General	General Government	Publications	1581	\$45.90
General	County Clerk	Association Dues	2348	\$40.00
County Clerk Lien Fee	County Clerk	Travel	2359	\$55.00
Sales Tax Fairground	Fairgrounds	Bond Payment	2457	\$1,046,665.77
Highway	County Highway	Travel	2921	\$153.00
Highway	County Highway	ETR Reimbursement	3303	\$600,000.00
General	County Clerk	Postage	3318	\$1,000.00

- One purchase order was not charged to the proper period were received in June 2009.

Fund	Office	Purpose	Purchase Order Number	Amount
General	County Treasurer	Supplies	182	\$38.58

Cause of Condition: The County did not follow the policies and procedures designed by state statutes regarding the purchasing process.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, undetected errors, and misappropriation of funds, inaccurate records, and incomplete information.

Recommendation: OSAI recommends the County implement procedures to ensure compliance with purchasing statutes. In addition, we recommend all documentation supporting county expenditures,

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

including invoices, and receiving reports be attached to each purchase order in accordance with state statutes.

Management Response:

County Clerk: the County Clerk will express to fellow County Officials the importance of county funds being encumbered prior to the receipt of goods and/or services and the importance of having a receiving report attached.

Chairman, Board of County Commissioners: The County Clerk and I will notify the departments to ensure they will comply with rules so that purchase orders will be timely encumbered and that adequate documentation is attached.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505C, 19 O.S. § 1505E, and 19 O.S. § 1505F.

Finding 2010-9 – Inadequate County-Wide Controls

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

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

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

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

Chairman, Board of County Commissioners, County Clerk, and County Treasurer: We will set up quarterly meetings, during the County Commissioners' meeting, with all elected officials to discuss and take action regarding risk management and monitoring.

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

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Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

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

Finding 2010-10 – Inadequate Internal Controls Over Information Systems Security

Condition: Upon review of the computer systems within the County Treasurer's and the County Clerk's offices, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The following was noted:

- Passwords are not required to be changed periodically in the County Clerk's or the County Treasurer's office.
- User roles are not being used in the County Clerk's or the County Treasurer's computer programs to segregate duties and responsibilities effectively. All users have full administrative rights.
- The audit log is not being utilized as a form of management oversight.

Cause of Condition: Procedures have not been designed to address security management over information systems.

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

Recommendation: OSAI recommends the County work with IT personnel or in conjunction with software vendors to setup password requirements for length, character, and an expiration of a minimum of at least every ninety days. In addition, OSAI recommends passwords not be shared and access to servers be limited.

Management Response:

County Treasurer: The County Treasurer's office will begin changing passwords every 90 days and check with the software vendor about installing the audit log and to assign user rights.

County Clerk: The County Clerk office will begin changing passwords every 90 days and will check with the software vendor to determine what levels of administrative rights are in place and what restrictions can be password protected.

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Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver 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.

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

Finding 2010-14 – Inadequate Internal Controls Over Major Federal Programs – ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

FEDERAL AGENCY: U.S Department of Energy

CFDA NO: 81.128

FEDERAL PROGRAM NAME: ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)

FEDERAL AWARD YEAR: 2010

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Eligibility; Procurement and Suspension and Debarment; and Sub recipient Monitoring.

QUESTIONED COSTS: -\$0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Grady County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Eligibility; Procurement and Suspension and Debarment; and Sub recipient Monitoring.

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

Effect of Condition: This condition could result in noncompliance to grant requirements and loss of federal funds to the County.

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

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Management Response:

County Commissioner District 1, 2, and 3: Grady County, to the best of its ability, will implement procedures to correct this issue. The Board of County Commissioners will communicate, with the County Clerk and the County Treasurer, the grant requirements and allowable costs associated with each federal grant the County receives. We will work with all County Officials to go over all grants and federal monies that Grady County receives to ensure that proper internal controls are implemented.

Criteria: OMB A-133, Subpart C, §____.300 reads as follows:

Subpart C—Auditees

§____.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

Finding 2010-15 – Inadequate Internal Controls Over Major Federal Programs – Assistance to Firefighters Grant

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.044

FEDERAL PROGRAM NAME: Assistance to Firefighters Grant

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

QUESTIONED COSTS: -\$0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Grady County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting.

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

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Effect of Condition: This condition could result in noncompliance to grant requirements and loss of federal funds to the County.

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

Management Response:

County Commissioner District 1, 2, and 3: Grady County, to the best of its ability, will implement procedures to correct this issue. The Board of County Commissioners will communicate, with the County Clerk, and the County Treasurer, the grant requirements and allowable costs associated with each federal grant the County receives. We will work with all County Officials to go over all grants and federal monies that Grady County receives to ensure that proper internal controls are implemented.

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

Subpart C—Auditees

§__.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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

Finding 2010-17 – Inadequate County-Wide Controls Over Federal Programs - Assistance to Firefighters Grant and ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)

PASS THROUGH GRANTOR: Oklahoma Department of Emergency Management, Direct Grant

FEDERAL AGENCY: U.S. Department of Homeland Security, U.S. Department of Energy

CFDA NO: 97.044, 81.128

FEDERAL PROGRAM NAME: Assistance to Firefighters Grants, ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)

FEDERAL AWARD YEAR: 2010, 2008

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Eligibility; Equipment and Real Property Management; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; Reporting; and Sub recipient Monitoring.

QUESTIONED COSTS: -\$0-

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

Effect of Condition: These conditions could result in noncompliance to grant requirements.

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

Management Response:

County Commissioner District 1, 2, and 3: The Board of County Commissioners will develop a written plan/procedure to put into the County handbook that addresses the procedures for identifying risks, as well as our monitoring procedures to assess the quality of performance over time. This plan/procedure will define the responsibilities of the department applying for federal funds. We will work with all County Officials to go over all grants and federal monies that Grady County receives to ensure that proper internal controls are implemented. We will implement controls to help make sure we are in compliance with all grant requirements and that federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure that employees have the current and correct compliance supplement to work from. Furthermore, we will work with the County Treasurer and County Clerk's office to ensure that all checks and balances are done correctly.

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

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

Finding 2010-7 – Transfer of Funds

Condition: The County transferred funds in the amount of \$180,000 from the County General Fund to the Restricted Capital Improvement fund for courthouse improvements and the money was not repaid within the fiscal year.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Cause of Condition: Policies and procedures have not been designed to ensure the repayment of transfers.

Effect of Condition: Funds were not repaid in accordance with state statute.

Recommendation: OSAI recommends the County repay all transferred funds within the fiscal year the funds were borrowed.

Management Response:

Board of County Commissioners: The funds were transferred to the Restricted Capital Improvement fund in order to track total expenditures made on courthouse improvements. In the future, we will not transfer the funds and the expenditures will be made out of the County General Fund.

Criteria: Title 68 O.S. § 3021 states in part “if at any time during the budget year it appears to the county treasurer that there is temporarily insufficient money in a particular fund to meet the requirements of appropriation in the fund, the excise board,... may temporarily transfer from one fund to any other fund with the permission of the county officer in charge of the fund that the money will be temporarily transferred from... Any funds temporarily transferred shall be repaid to the original fund from which they were transferred within the fiscal year that the funds were transferred.

Finding 2010-8 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories

Condition: Upon inquiry and observation of fixed assets and consumable inventory records, the following weaknesses were noted:

- **District 1, 2 and 3:** The consumable inventory process is not adequately segregated. One individual verifies the goods were received, records the items on the inventory cards, and performs a visual verification of the items on hand.
- **District 2:** Although transfer documents are maintained, District 2 does not properly update consumable inventory balances to reflect items transferred in or out.

Additionally, our test of ninety-six (96) fixed assets noted the following:

- **Sheriff:** Although the new administration in the Sheriff’s office has recently established a system to track inventory, county ID numbers are not assigned and affixed to inventory items.

Cause of Condition: Procedures have not been designed and implemented by county officers for the accurate reporting of fixed assets and consumable inventory items, as well as procedures to ensure that equipment is properly marked.

GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Effect of Condition: These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets and consumable inventories.

Recommendation: OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed assets and consumable inventory records. These controls would include that all offices:

- Perform an annual inventory count.
- Retain documentation to verify the physical inventory counts were performed.
- Inventory count should be performed by someone other than the receiving officer or inventory officer.

Further, OSAI recommends the County comply with 19 O.S. § 178.1 by maintaining inventory records and properly marking assets with county identification numbers, and performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. Additionally, OSAI recommends the County comply with 69 O.S. § 645 by designing procedures to ensure that all equipment is properly marked with county identification numbers and “Property of Grady County.”

Management Response:

County Commissioner District 1: We will maintain documentation of the physical inventory in the future. We will also work to implement a system of internal controls over the consumable inventory records.

County Commissioner District 2: We will maintain documentation of the physical inventory in the future. Consumable inventory records will be updated, and we will also work to implement a system of internal controls over the consumable inventory records.

County Commissioner District 3: We will maintain documentation of the physical inventory in the future, and ensure that all items are properly marked with county identification numbers. We will also work to implement a system of internal controls over the consumable inventory

County Sheriff: We will perform an annual inventory count and retain documentation. We will also work to ensure that all items are properly marked with county identification numbers.

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.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding 2010-16 – Estimate of Needs

Condition: Upon review of the County's Estimate of Needs for the fiscal year ending June 30, 2010, we determined that four (4) cash funds were not included on the Estimate of Needs.

- CDBG Rural Water
- Sheriff Estray Animal
- U.S. Department of Energy Stimulus
- FEMA - Hazard Mitigation Grant

Cause of Condition: Policies and procedures have not been designed to ensure all funds are included on the Estimate of Needs.

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

Recommendation: We recommend the County review the Estimate of Needs prior to approval to ensure that all funds are accurately presented.

Management's Response:

Board of County Commissioners: This was an oversight and corrective measures will be taken.

Criteria: 68 O.S. § 3002 (A) states, "Each board of county commissioners, and the board of education of each school district, shall meet on the first Monday in August of each year, and they shall, respectively, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30th, and prior to September 1, shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct."

GRADY COUNTY, OKLAHOMA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FINDING NO: 2009-3

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.044

FEDERAL PROGRAM NAME: Assistance to Firefighters Grant

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Other

QUESTIONED COSTS: -\$0-

Finding Summary: Federal programs were not properly recorded by source on the Grady County accounting records as Federal awards expended during the audit year.

Status: This was corrected. No findings of this nature noted in current year.



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