

COUNTY AUDIT

# GRADY COUNTY

For the fiscal year ended June 30, 2011



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



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

**GRADY COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

December 11, 2014

TO THE CITIZENS OF  
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma for the fiscal year ended June 30, 2011. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

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

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

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

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

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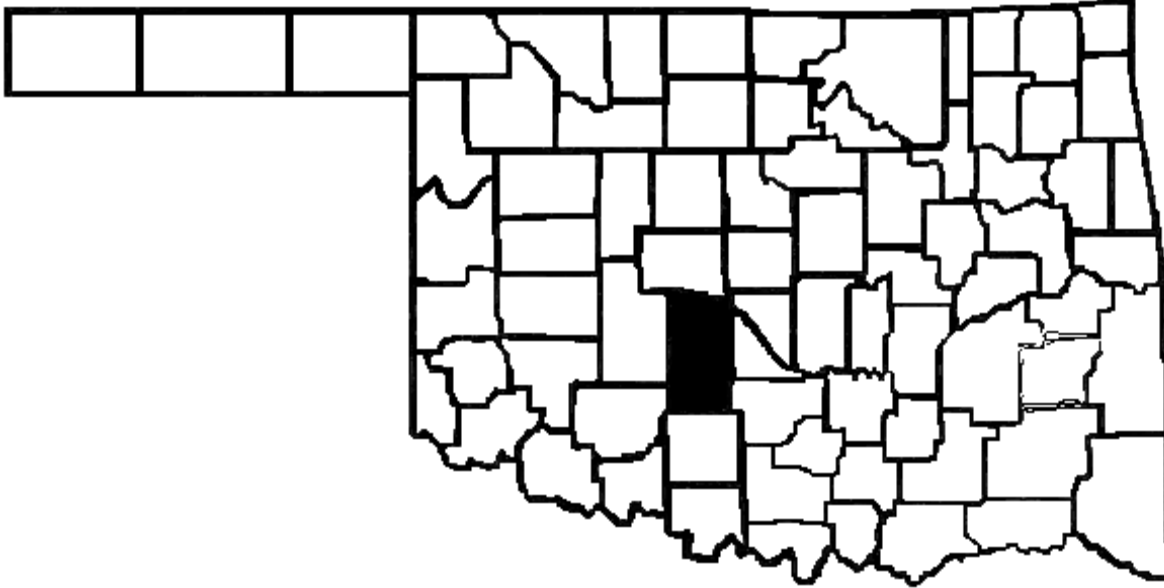
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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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 Union Pacific and Stillwater Central 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 Light, 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 – 51,649  
(2009 est.)

Farms – 1,850

Land in Farms – 608,373 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

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**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

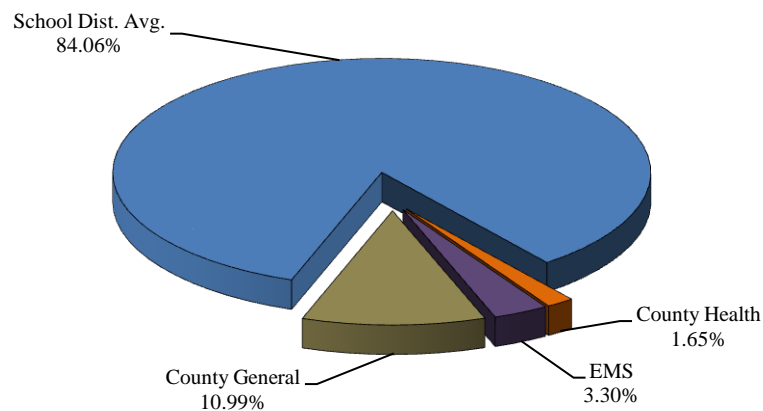
**District Attorney**

Jason Hicks



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

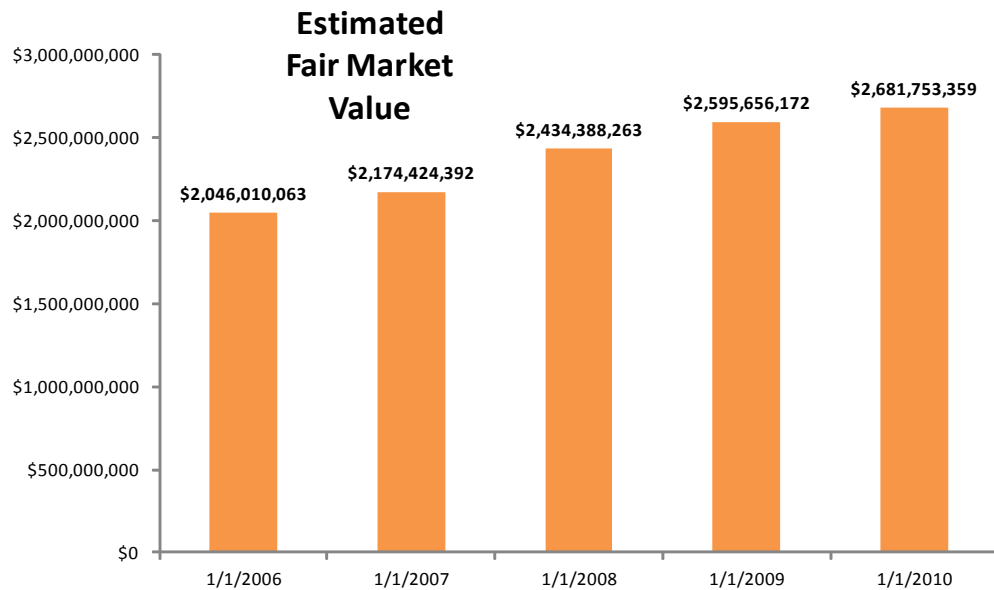
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages			School District Millages						
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.33								
County Health	1.55	Chickasha	I-1	35.78	5.11	28.76	15.46	4.13	89.24
EMS	3.10	Minco	I-2	35.99	5.14	19.36	15.46	4.13	80.08
		Friend	I-37	36.57	5.22	21.45	15.46	4.13	82.83
		Ninnekah	I-51	36.37	5.20	21.16	15.46	4.13	82.32
		Alex	I-56	36.27	5.18	12.38	15.46	4.13	73.42
		Rush Springs	I-68	36.07	5.15	13.55	-	4.13	58.90
		Bridgecreek	I-95	36.44	5.21	29.75	11.38	4.13	86.91
		Middleberg	I-96	36.55	5.22	23.09	-	4.13	68.99
		Tuttle	I-97	36.25	5.18	25.27	15.46	4.13	86.29
		Verden	I-99	37.35	5.34	13.95	11.65	4.13	72.42
		Amber-Pocasset	I-128	36.20	5.17	7.79	15.46	4.13	68.75
		Poineer	I-131	36.96	5.28	13.49	15.46	4.13	75.32
		Cement	J-160	36.40	5.20	12.93	11.65	4.13	70.31
		Sterling	J-3	37.48	5.35	12.46	14.61	4.13	74.03
		Fletcher	J-9	35.10	5.01	33.11	14.61	4.13	91.96
		Lindsay	J-9	36.35	5.19	17.51	11.38	4.13	74.56
		Newcastle	J-1	36.69	5.24	39.27	11.38	4.13	96.71
		Dibble	J-2	36.68	5.24	33.72	11.38	4.13	91.15
		Blanchard	J-29	36.92	5.27	45.66	11.38	4.13	103.36
		Marlow	J-3	36.96	5.28	-	12.19	4.13	58.56
		Marlow-Central	J-34	35.18	5.03	20.30	12.19	4.13	76.83
		Bray-Doyle	J-42	35.41	5.06	-	12.19	4.13	56.79
		MJ-NTC	V-8	36.69	5.24	39.27	11.38	4.13	96.71

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

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$62,978,660	\$34,483,661	\$214,772,379	\$15,734,395	\$296,500,305	\$2,681,753,359
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

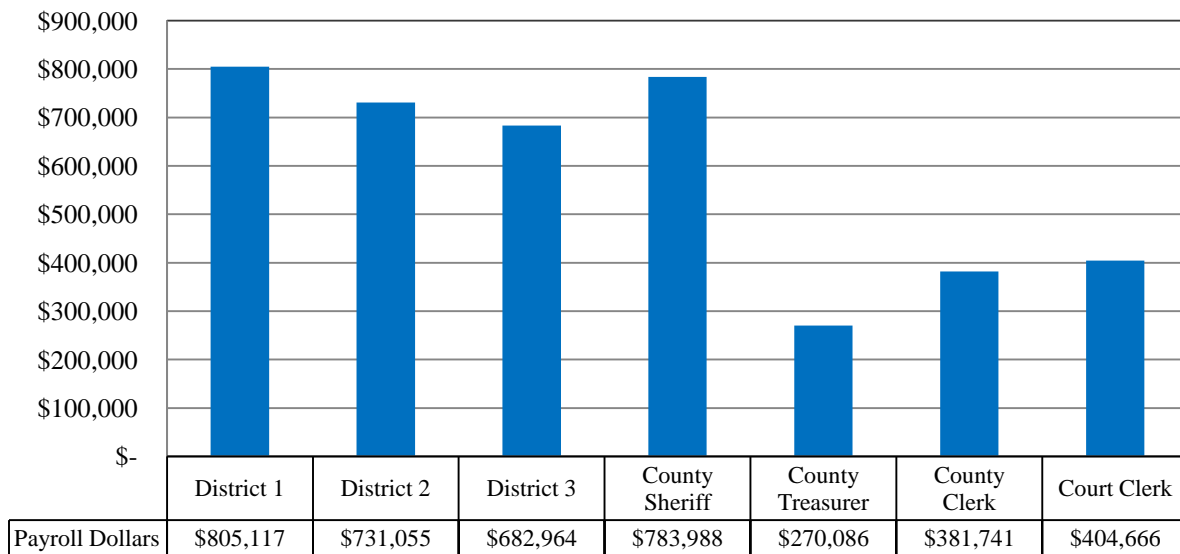


**GRADY COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

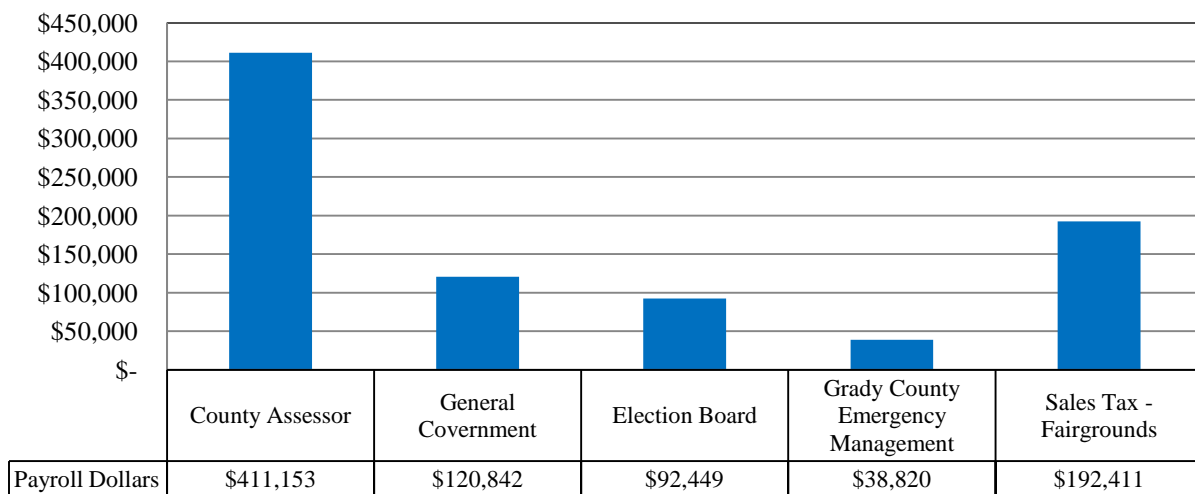
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County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2011.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

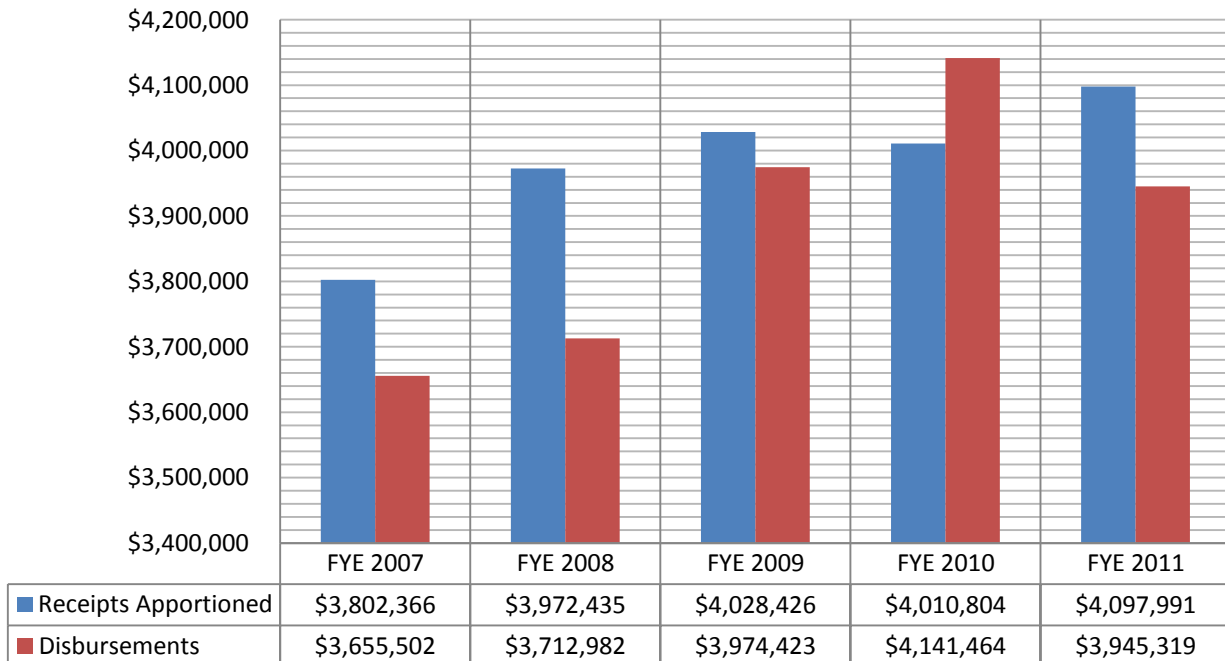


**GRADY COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County General Fund

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

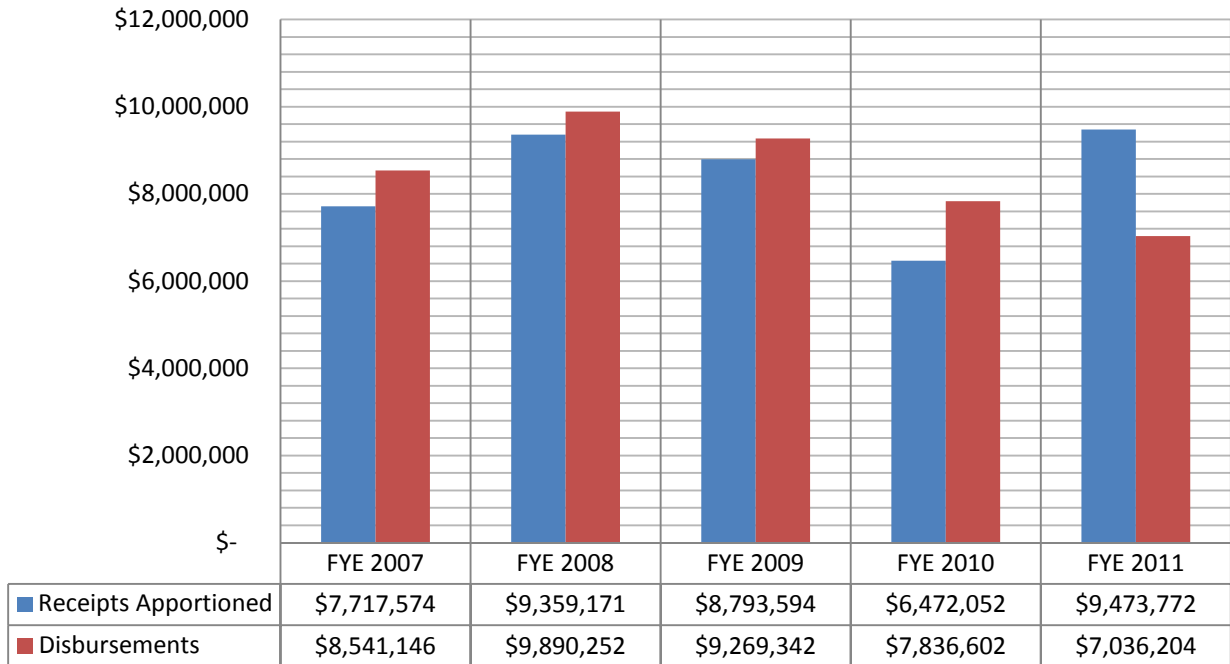


**GRADY COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined 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, 2011, 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, 2011, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Grady County, for the year ended June 30, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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 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, flowing script.

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

December 9, 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, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:						
Major Funds:						
County General Fund	\$ 607,571	\$ 4,097,991	\$ 1,054,416	\$ 1,000,000	\$ 3,945,319	\$ 814,659
County Health	367,700	459,379	-	-	404,194	422,885
County Highway	2,966,614	9,473,772	1,000,000	1,000,000	7,036,204	5,404,182
Sheriff Service Fee	113,774	264,655	-	-	262,156	116,273
County Sales Tax	910,388	1,340,512	-	-	643,673	1,607,227
County Sinking	2	-	-	-	-	2
Remaining Aggregate Funds	1,136,266	1,094,234	155	54,571	1,016,272	1,159,812
<b>Combined Total - All County Funds</b>	<b>\$ 6,102,315</b>	<b>\$ 16,730,543</b>	<b>\$ 2,054,571</b>	<b>\$ 2,054,571</b>	<b>\$ 13,307,818</b>	<b>\$ 9,525,040</b>

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, 2011**

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**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.

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

County Sales Tax – accounts for the collection of sales tax revenue of which 66.67% is used for the renovation and maintenance and operation of the county fairgrounds, and 33.33% is used to operate and maintain the present seven Senior Nutrition Centers (Alex, Chickasha, Minco, Ninnekah, Rush Springs, Tuttle, and Verden) in Grady County.

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

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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.

**C. Basis of Accounting**

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

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

**D. Budget**

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

**E. Cash and Investments**

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

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County’s deposits. The amount of collateral securities to be

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

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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 15, the second half is not delinquent until April 15. 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, 2011**

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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.

Grady County voters approved a 5 year, 1/8% sales tax on July 27, 2010. The proceeds derived from the sales tax are for maintaining and operating the seven (7) senior citizen centers in Grady County. Sales tax collections were set to begin January 1, 2011 and end December 31, 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 operating transfers in accordance with Title 68 O.S. § 3021 between cash funds.

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

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- \$1,000,000 to the County General Fund from the County Highway fund to cover non-payable warrants issued from the County General Fund.
- \$1,000,000 from the County General Fund to reimburse the County Highway fund after adequate ad valorem collections was apportioned to the County General Fund.

During the fiscal year, the County made the following residual equity transfers between cash funds.

- \$155 was moved from Sheriff BVP FY 2002 Grant fund to Sheriff BPV Grant fund to close out the old grant account.
- \$54,416 was transferred from the WIC Cash Fund account to the County General Fund to close out the WIC Cash Fund account.

## **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, 2011**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balance:	\$ 607,571	\$ 607,571	\$ -
Less: Prior Years Outstanding Warrants	(139,844)	(139,828)	16
Less: Prior Year Reserves	(113,171)	(100,298)	12,873
Beginning Cash Balances, Budgetary Basis	354,556	367,445	12,889
Residual Equity Transfer In	-	54,416	54,416
Receipt:			
Ad Valorem Taxes	2,688,470	2,958,807	270,337
Charges for Services	265,000	299,141	34,141
Intergovernmental Revenues	862,966	751,571	(111,395)
Miscellaneous Revenues	119,752	88,472	(31,280)
Total Receipts, Budgetary Basis	3,936,188	4,097,991	161,803
Expenditures:			
DA - County	4,000	2,116	1,884
County Sheriff	937,914	933,800	4,114
County Treasurer	253,255	249,790	3,465
County Commissioners	614	-	614
County Commissioners OSU Extension	124,948	124,808	140
County Clerk	466,525	462,730	3,795
Court Clerk	390,118	390,118	-
County Assessor	240,869	232,469	8,400
Revaluation of Real Property	386,482	361,247	25,235
General Government	691,286	509,337	181,949
Excise-Equalization Board	4,900	3,903	997
County Election Board	180,175	121,329	58,846
Charity	31,360	27,479	3,881
Civil Defense	84,045	84,040	5
Intergovernmental	450,000	450,000	-
County Audit Budget Account	44,253	16,278	27,975
Total Expenditures, Budgetary Basis	4,290,744	3,969,444	321,300

Continued on next page

**GRADY COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of receipts and beginning cash balances over expenditures, budgetary basis	\$ -	550,408	\$ 550,408
Operating Transfer:			
Operating Transfer Out		(1,000,000)	
Operating Transfer In		1,000,000	
Net Operating Transfer		-	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		200,110	
Add: Current Year Reserves		64,141	
Ending Cash Balance		\$ 814,659	

**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, 2011**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balance:	\$ 367,700	\$ 367,700	\$ -
Less: Prior Years Outstanding Warrants	(32,328)	(32,328)	-
Less: Prior Year Reserves	(36,169)	(30,312)	5,857
Beginning Cash Balances, Budgetary Basis	299,203	305,060	5,857
Receipts:			
Ad Valorem Taxes	403,401	443,905	40,504
Charges for Services	14,528	14,528	-
Intergovernmental	-	946	946
Total Receipts, Budgetary Basis	417,929	459,379	41,450
Expenditures:			
County Health Budget	717,132	396,680	320,452
Total Expenditures, Budgetary Basis	717,132	396,680	320,452
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	367,759	\$ 367,759
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		28,127	
Add: Current Year Outstanding Warrants		26,999	
Ending Cash Balance		\$ 422,885	

**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, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Transfers in	Transfers Out	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:						
Restricted Capital Improvement	\$ 82,110	\$ -	\$ -	\$ -	\$ 19,497	\$ 62,613
911 County-wide Emergency	189,567	348,601	-	-	338,949	199,219
Resale Property	524,146	290,482	-	-	238,722	575,906
County Clerk Lien Fee	60,300	61,875	-	-	59,841	62,334
County Clerk Preservation Fund	53,411	91,200	-	-	78,826	65,785
Assessor Revolving Fund	4,471	9,776	-	-	2,819	11,428
Treasurer Mortgage Tax	11,177	11,020	-	-	10,832	11,365
Assessor Visual Inspection	186	-	-	-	-	186
Sheriff Training	79	-	-	-	-	79
Sheriff BVP FY 2002 Grant	155	-	-	155	-	-
Sheriff Dare Donation	140	-	-	-	-	140
Sheriff Drug Forfeiture	210	-	-	-	-	210
Sheriff Drug Buy	248	425	-	-	-	673
Resale Investment	150,000	-	-	-	-	150,000
Fire Department/FEMA Grant	4,226	190,000	-	-	194,226	-
Sheriff LLEBG - FY 2004	1	-	-	-	-	1
REAP Grant 2005	328	-	-	-	328	-
Burne Formula Grant	-	3,600	-	-	1,830	1,770
Sheriff K-9 Donation	471	500	-	-	371	600
CDBG Rural Water	27	49,278	-	-	49,305	-
Sheriff Estray Animal	252	-	-	-	-	252
Littering Reward Fund	100	8	-	-	-	108
Sheriff BPV Grant	-	-	155	-	155	-
FEMA - Hazard Mitigation Grant	245	-	-	-	-	245
ASCOG Rural Water District 2	-	32,469	-	-	20,571	11,898
Emergency Management Program	-	5,000	-	-	-	5,000
WIC Cash Fund	54,416	-	-	54,416	-	-
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,136,266</b>	<b>\$ 1,094,234</b>	<b>\$ 155</b>	<b>\$ 54,571</b>	<b>\$ 1,016,272</b>	<b>\$ 1,159,812</b>

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

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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. Remaining County Funds**

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

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

911 County-wide Emergency – accounts for the collection of fees charged on telephone bills for the County's emergency 911 system. Disbursements are for expenditures related to providing these services.

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

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 statutes.

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

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

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Sheriff Training – accounts for the collection of proceeds from the sale of unclaimed property and the disbursement of funds as restricted by statutes.

Sheriff BVP FY 2002 Grant – accounts for grant monies received and used to purchase bulletproof vests.

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

Sheriff Drug Forfeiture – accounts for monies collected from forfeitures and disbursement of funds as restricted by statutes.

Sheriff Drug Buy – accounts for monies collected from local contributions, grants, and forfeitures and disbursement of funds as restricted by statutes.

Resale Investment – investment of monies collected from interest and penalties on delinquent taxes.

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

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

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

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

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

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 animals donated or abandoned.

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

Sheriff BPV Grant – accounts for grant monies received to purchase bullet proof vest.

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

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FEMA – Hazard Mitigation Grant – accounts for moneys received from federal grant and matched by county funds and expended for the operation of the Emergency Management office.

ASCOG Rural Water District 2 – accounts for monies received from grants and disbursements are for the construction of a lagoon in Amber for Rural Water District 2.

Emergency Management Program – accounts for grant monies received to reimburse the County for emergency management planning.

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

## **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, 2011, 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 December 9, 2004. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying schedule of findings and responses to be material weaknesses in internal control over financial reporting. 2011-1, 2011-5, 2011-7, and 2011-8.

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 responses to be significant deficiency in internal control over financial reporting. 2011-6.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

December 9, 2014

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2011-1 – Inadequate Segregation of Duties – County Treasurer (Repeat Finding)**

**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.

**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 County 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 County 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 RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-5 – Inadequate County-Wide Controls (Repeat Finding)**

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

**Cause of Condition:** Policies and procedures have not been designed to address risks of the County.

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

**Recommendation:** 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:**

**Board of County Commissioners Chairman, 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.

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.

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-6 – Inadequate Segregation of Duties Over Information Systems Security**

**Condition:** Upon review of the computer systems within the County Treasurer and the County Clerk's office, it was noted that there does not appear to be adequate internal 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.
- All users have full administrative rights. User roles are not being used in the County Clerk's or the County Treasurer's computer programs to segregate duties and responsibilities effectively.
- The audit log is not being utilized as a form of management oversight.

**Cause of Condition:** Policies and procedures have not been designed to address security management over information systems.

**Effect of Condition:** This condition 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, access to servers be limited, and user rights be assigned.

**Management Response:**

**County Treasurer:** The County Treasurer's office will begin changing passwords every ninety 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 ninety 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.

**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.

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Finding 2011-7 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**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, and maintains personnel files.

**Cause of Condition:** Policies and procedures have not been designed with regards to segregation of duties and/or compensating internal 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 internal controls to mitigate the risk 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.

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.
- Preparing end of month payroll reports.

Further, OSAI recommends that sales tax be apportioned and expended in accordance with Title 68 O.S. § 1370E.

**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 2011-8 – Inadequate Internal Controls and Noncompliance Over Disbursement Process (Repeat Finding)**

**Condition:** Of the forty-eight (48) expenditures tested, the following exceptions were noted:

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Two purchase orders were not timely encumbered:**

<b>Fund</b>	<b>Office</b>	<b>Purpose</b>	<b>Purchase Order Number</b>	<b>Amount</b>
County General Fund	County Sheriff	Incarceration Fees	112429	\$150,000.00
County General Fund	County Sheriff	Incarceration Fees	110971	\$300,000.00

**Three purchase orders had no receiving report:**

<b>Fund</b>	<b>Office</b>	<b>Purpose</b>	<b>Purchase Order Number</b>	<b>Amount</b>
County Sales Tax	County Fairgrounds	Architectural Fee	110482	\$ 39,812.50
County General Fund	County Sheriff	Incarceration Fees	112429	\$150,000.00
County General Fund	County Sheriff	Incarceration Fees	110971	\$300,000.00

Additionally, the County is remitting the sales tax to the seven Senior Nutrition Centers in Grady County on purchase order without documentation of how the funds are expended.

**Cause of Condition:** The County did not follow the policies and procedures designed by state statutes regarding the disbursement 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 policies and procedures to ensure compliance with purchasing statutes. In addition, we recommend all documentation supporting county expenditures, including invoices and receiving reports, be attached to each purchase order in accordance with state statutes.

Further, OSAI recommends that sales tax be apportioned and expended in accordance with Title 68 O.S. § 1370E.

**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.

**Board of County Commissioners Chairman:** 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.

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**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, and 69 O.S. § 1370E.

Further, good internal controls would include all supporting documentation related to disbursements be attached to the purchase order prior to approval for payment.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2011-9 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)**

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

- **County Commissioner District 1, 2 and 3:** The consumable inventory process is not adequately segregated. One individual verifies that goods were received, records the items on the inventory cards, and performs a visual verification of the items on hand.
- **County Commissioner 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 that the following:

- **County Sheriff:** Although the new administration in the Sheriff’s office has recently established a system to track inventory, County identification 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 the proper marking of equipment.

**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:



**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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- Perform an annual inventory count.
- Retain documentation to verify the physical inventory counts are 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.”

Further, OSAI recommends the County comply with 19 O.S. § 1502 (A)1 by maintaining consumable inventory records that properly reflect items transferred in or out.

**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.

**Finding 2011-12 – Inadequate Segregation of Duties – Court Clerk**

**Condition:** We noted instances in which a single person could be responsible for the recording, authorization, custody, and execution of revenue transactions. The following are concerns we noted:

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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- There are ten employees in the Court Clerk's office, including the Court Clerk. All employees work out of the two cash drawers.
- All Court Clerk employees perform the duties of receiving money and issuing receipts. The Court Clerk employees are also rotating the duties of balancing the cash drawer, preparing the deposit, making the deposit, and posting to the ledger. The one employee will perform all of these duties on the day of their rotation.

We also noted a concentration of duties in regards to a single person being responsible for recording, authorization, custody, and execution of expenditure transactions for the Court Fund:

- The Court Clerk is responsible for all actions associated with Court Fund expenditures. The Court Clerk is performing the duties of requisitioning, receiving goods and services, issuing vouchers (vouchers are posted to the ledger automatically), and mailing or delivering vouchers to vendors.

We also noted a concentration of duties in regards to a single employee being responsible for recording, authorization, custody, and execution of expenditure transactions for the District Court Fund:

- The Court Clerk is responsible for signing, distributing vouchers, and reviewing amounts to be remitted to other funds.
- The bookkeeper is performing the duties of preparing vouchers, calculating amounts to other agencies, signing vouchers, and mailing or distributing vouchers for refunds.

**Cause of Condition:** Policies and procedures have not been designed with regards to segregation of duties and/or compensating controls within the Court Clerk's 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:** OSAI recommends management be aware of these conditions 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 overseeing of office operations and a periodic review of operations. Regarding the receipting process, OSAI recommends management establish separate cash drawers for each employee that receipts monies. The cash drawer should be closed out, reconciled to the employee's daily receipts, and be approved by someone independent of the cash drawer. Regarding the disbursement process, the duties of issuing vouchers and the delivery/disbursement of vouchers should be separated.

**Management Response:**

**Court Clerk:** We do not have the space or ability to have more than two cash drawers. We do confirm with another employee any money we receive and change given back. A different person does the deposit

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daily. I suggest who does the deposit each morning; they never know who will be doing the deposit from day to day. Although, I as the Court Clerk write most of the Court Fund vouchers, someone else balances the books and does the end of the month report. No voucher is written from the Court Fund without a signed claim from our District Judge with bill attached. I as the Clerk, review the work done by the bookkeeper each quarter, she also must balance with the Treasurer and the County Clerk.

**Auditor Response:** Key accounting functions in the office of the Court Clerk are not adequately segregated.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of property, and record transactions.



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