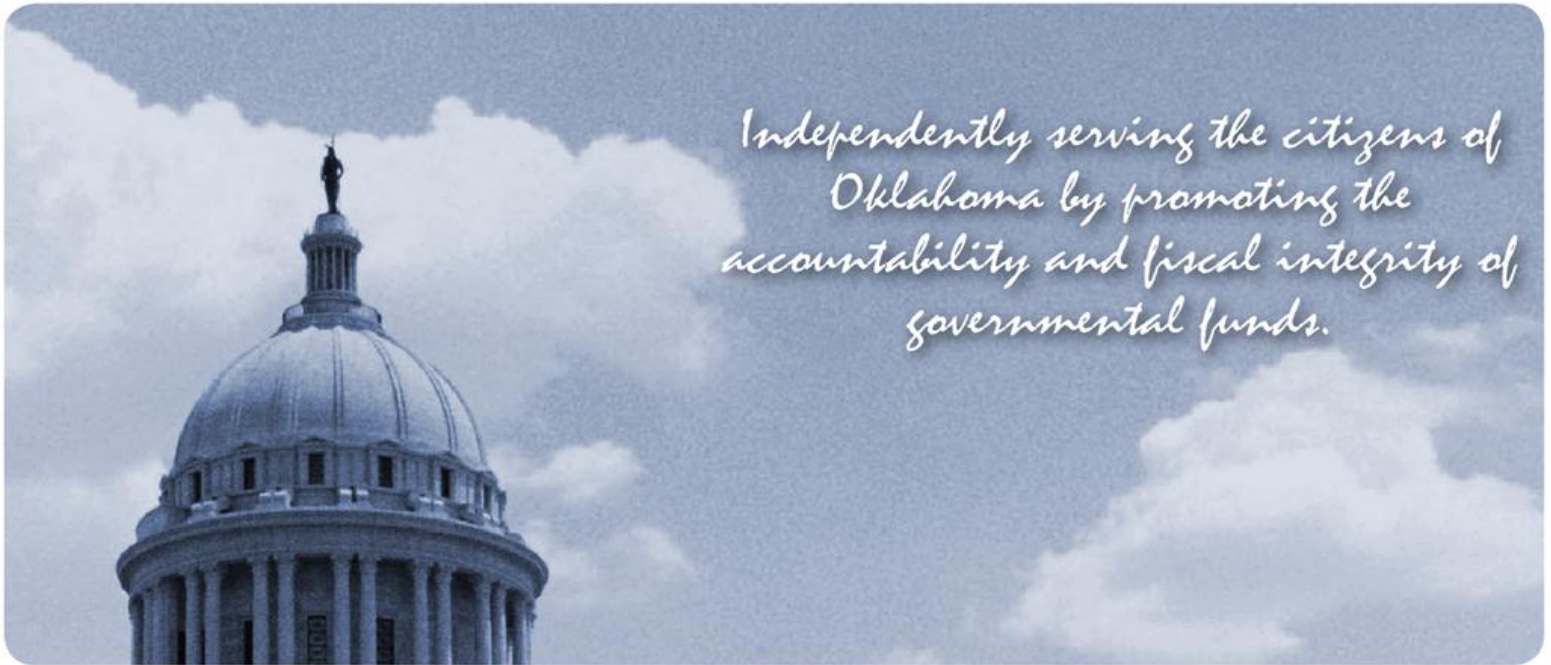


COUNTY AUDIT

GRADY COUNTY

For the fiscal year ended June 30, 2013



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, 2013**

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

June 9, 2015

TO THE CITIZENS OF
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma for the fiscal year ended June 30, 2013. 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,

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

**GRADY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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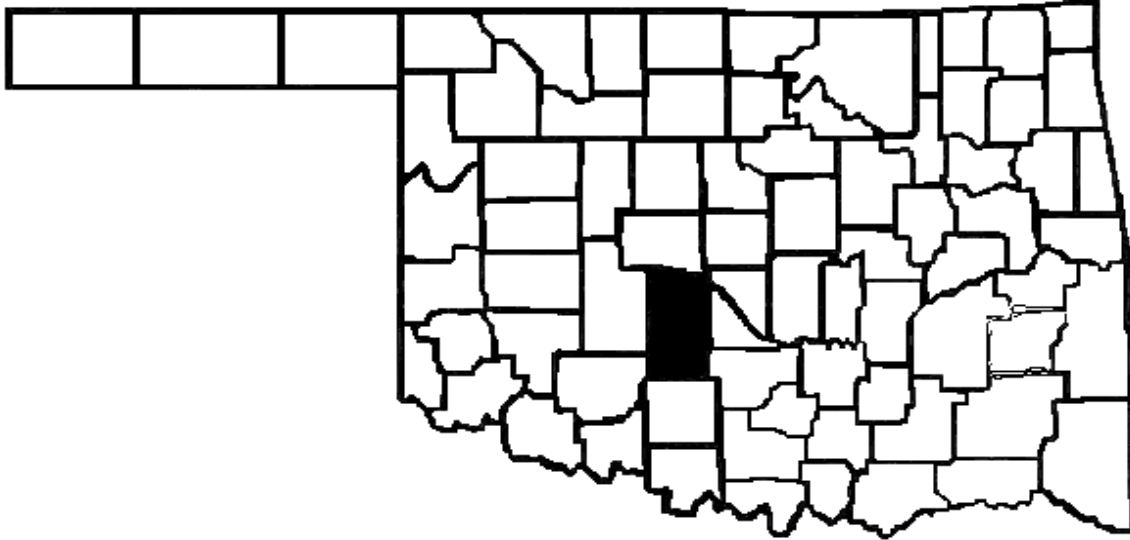
GRADY COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**GRADY COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**



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 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 – 1,105.30 Square Miles

County Population – 53,118
(2012 est.)

Farms – 1,850

Land in Farms – 608,373 Acres

Primary Source: Oklahoma Almanac 2013-2014

**GRADY COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Jim Weir

County Treasurer

Robin Burton

Court Clerk

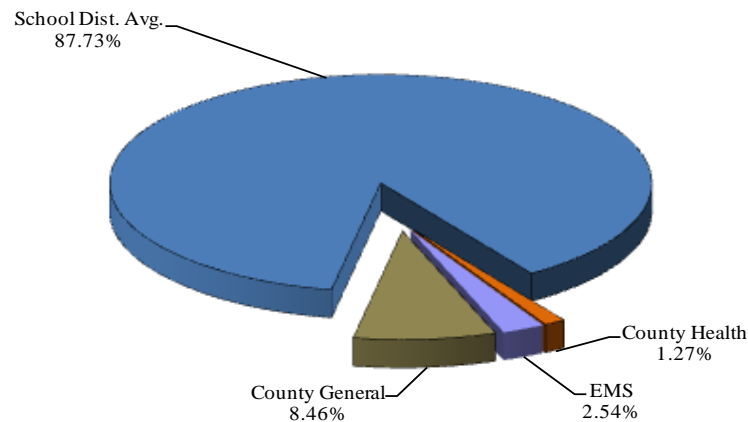
Lois Foster

District Attorney

Jason Hicks

**GRADY COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

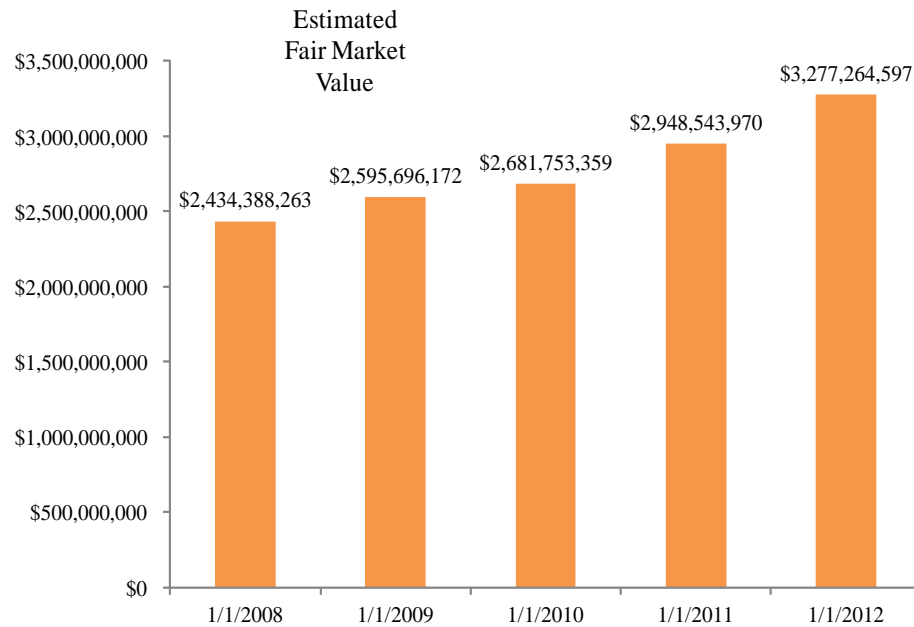
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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						
				Career					
County General	10.33			Gen.	Bldg.	Skg.	Tech	Common	Total
County Health	1.55	Chickasha	I-1	35.78	5.11	31.69	15.46	4.13	92.17
EMS	3.10	Minco	I-2	35.99	5.14	7.64	15.46	4.13	68.36
		Friend	I-37	36.57	5.22	15.85	15.46	4.13	77.23
		Ninnekah	I-51	36.37	5.20	19.57	15.46	4.13	80.73
		Alex	I-56	36.27	5.18	-	15.46	4.13	61.04
		Rush Springs	I-68	36.07	5.15	10.16	12.37	4.13	67.88
		Bridgecreek	I-95	36.44	5.21	27.83	11.38	4.13	84.99
		Middleberg	I-96	36.55	5.22	31.22	-	4.13	77.12
		Tuttle	I-97	36.25	5.18	23.66	15.46	4.13	84.68
		Verden	I-99	37.35	5.34	17.12	11.65	4.13	75.59
		Amber-Pocasset	I-128	36.20	5.17	18.92	15.46	4.13	79.88
		Pioneer	I-131	36.96	5.28	12.35	15.46	4.13	74.18
		Cement	J-160	36.40	5.20	11.87	11.65	4.13	69.25
		Sterling	J-3	37.48	5.35	19.20	14.61	4.13	80.77
		Fletcher	J-9	35.10	5.01	14.34	14.61	4.13	73.19
		Lindsay	J-9	36.35	5.19	13.17	11.38	4.13	70.22
		Newcastle	J-1	36.69	5.24	39.45	11.38	4.13	96.89
		Dibble	J-2	36.68	5.24	30.90	11.38	4.13	88.33
		Blanchard	J-29	36.92	5.27	48.85	11.38	4.13	106.55
		Marlow	J-3	36.96	5.28	-	12.19	4.13	58.56
		Marlow-Central	J-34	35.18	5.03	28.80	12.19	4.13	85.33
		Bray-Doyle	J-42	35.41	5.06	6.59	12.19	4.13	63.38
		MJ-NTC	V-8	36.69	5.24	39.45	11.38	4.13	96.89

GRADY COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

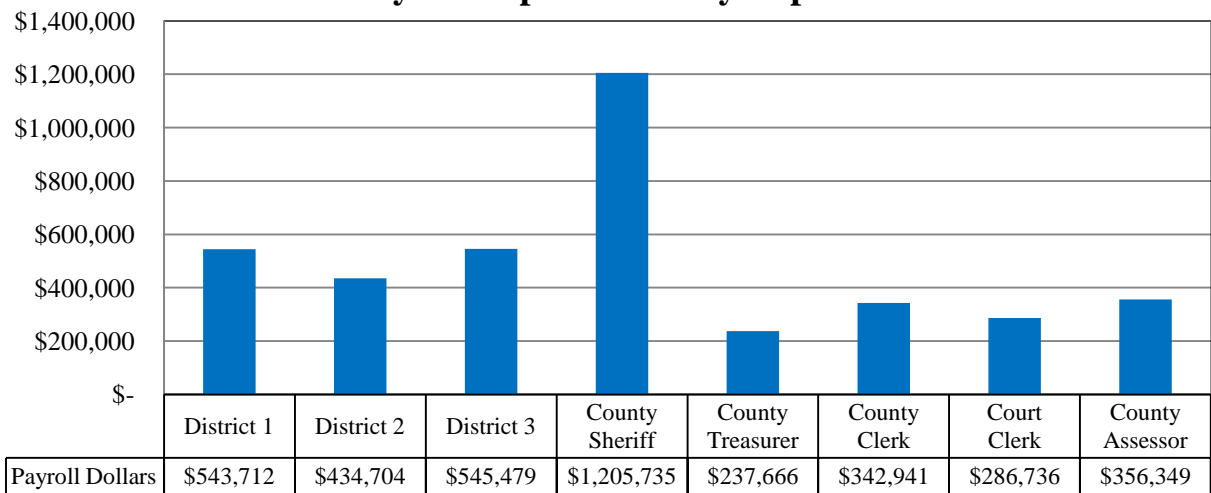
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$112,899,096	\$33,949,143	\$231,942,124	\$15,996,430	\$362,793,933	\$3,277,264,597
1/1/2011	\$86,501,913	\$33,404,917	\$221,756,782	\$15,916,899	\$325,746,713	\$2,948,543,970
1/1/2010	\$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	\$2,595,696,172
1/1/2008	\$73,228,631	\$30,229,879	\$180,001,401	\$12,829,170	\$270,630,741	\$2,434,388,263



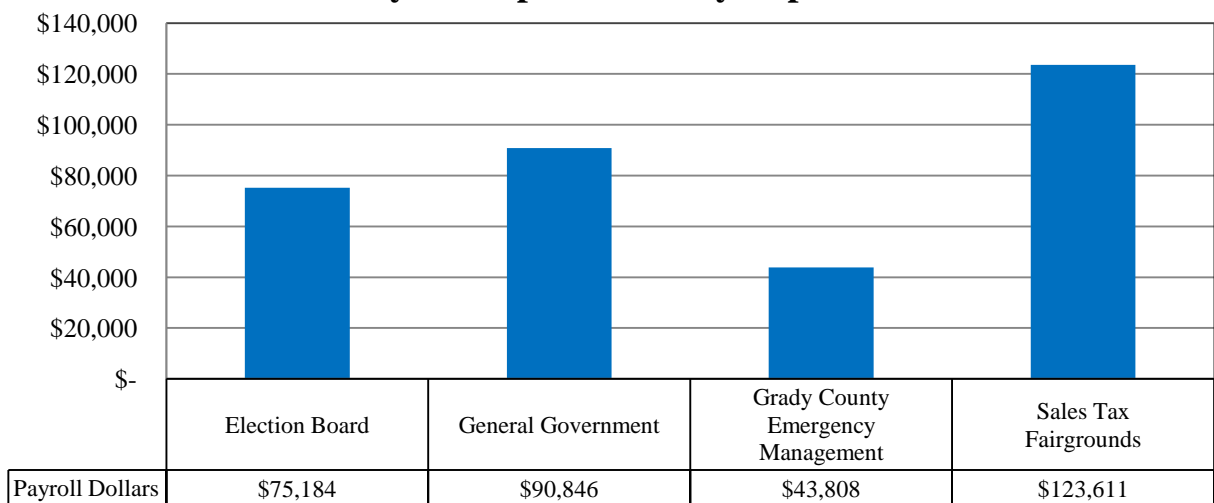
**GRADY COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

Payroll Expenditures by Department



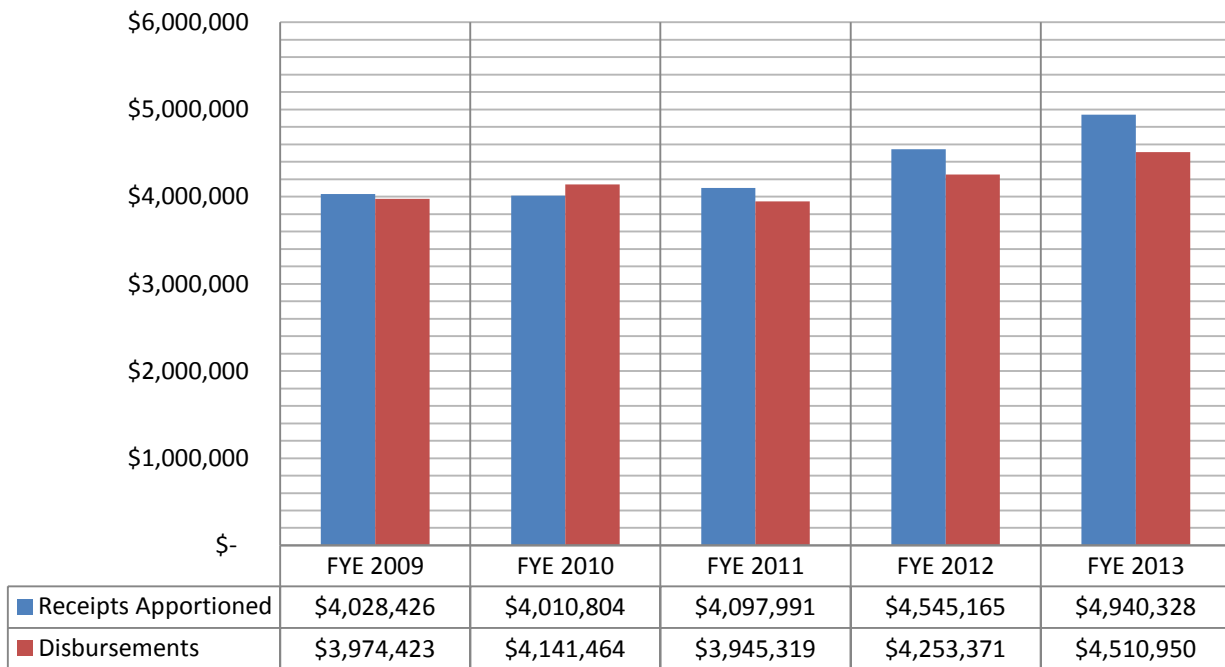
Payroll Expenditures by Department



**GRADY COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

County General Fund

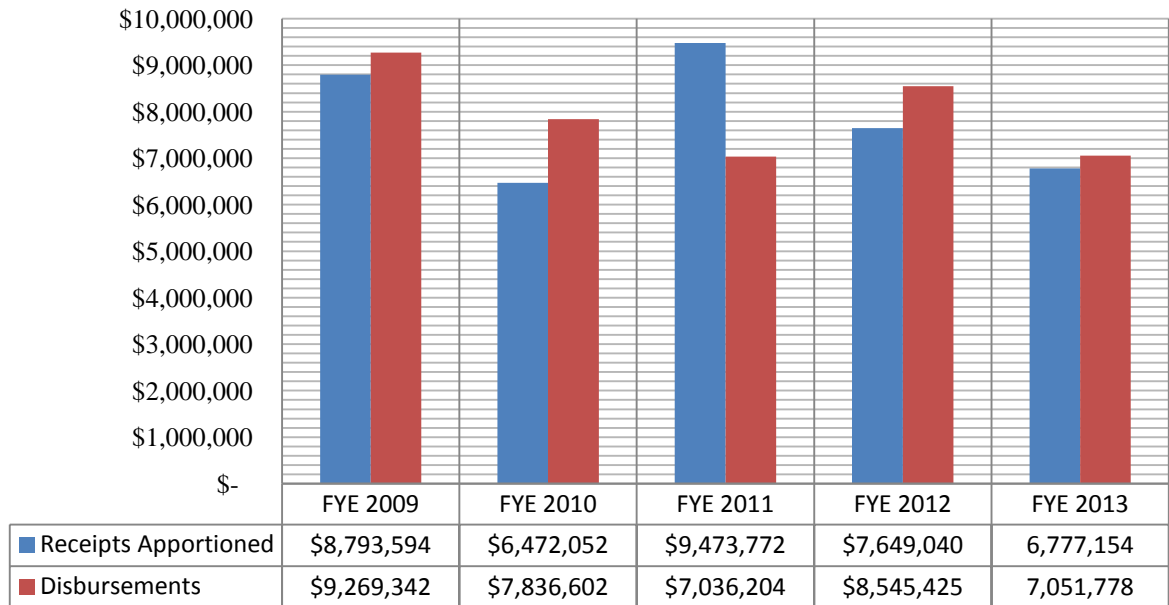
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2013**

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

Report on the Financial Statement

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, 2013, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by Grady County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Grady County as of June 30, 2013, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

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, 2013, on the basis of accounting described in Note 1.

Other Matters

Other Information

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.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, 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 subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2015, 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 in considering Grady County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being more prominent.

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

June 8, 2015

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 1,149,453	\$ 4,940,328	\$ -	\$ 50,000	\$ 4,510,950	\$ 1,528,831
County Highway	4,507,797	6,777,154	-	-	7,051,778	4,233,173
County Health	515,933	523,184	-	-	456,224	582,893
County Sales Tax	2,452,702	3,011,659	-	-	974,014	4,490,347
Sheriff LLEBG - FY 2004	1	-	-	-	-	1
Burne Formula Grant	110	-	-	-	-	110
Rural Economic Action Plan	-	20,160	-	-	20,160	-
Community Development Block Grant	-	294,840	-	-	273,000	21,840
Safe Room Rebate	-	178,771	-	-	119,086	59,685
FEMA - Hazard Mitigation Grant	245	-	-	-	-	245
County Sinking	2	-	-	-	-	2
Remaining Aggregate Funds	1,333,064	1,290,413	50,000	-	1,173,234	1,500,243
Combined Total - All County Funds	\$ 9,959,307	\$ 17,036,509	\$ 50,000	\$ 50,000	\$ 14,578,446	\$ 12,417,370

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, 2013**

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

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

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, 2013**

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

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

Rural Economic Action Plan – accounts for state grant monies received and disbursements as restricted by grant agreement..

Community Development Block Grant – accounts for grant monies received used for the construction of a lagoon in Amber for Rural Water District 2.

Safe Room Rebate – accounts for monies received from grants and expenditures are for the reimbursements for construction of storm cellars/safe rooms.

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

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.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

D. Budget

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

E. Cash and Investments

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

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

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

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."

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

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.

**GRADY COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

D. Sales Tax

Grady County voters approved a 15 year, ¼% 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 began 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 transfers between cash funds.

- \$50,000 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.

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, 2013

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balance:	\$ 1,149,322	\$ 1,149,453	\$ 131
Less: Prior Year Outstanding Warrants	(111,971)	(112,103)	(132)
Less: Prior Year Reserves	(79,485)	(70,339)	9,146
Beginning cash balances, budgetary basis	957,866	967,011	9,145
Receipt:			
Ad Valorem taxes	3,059,058	3,251,322	192,264
Charges for Services	250,000	360,434	110,434
Intergovernmental revenues	658,583	953,069	294,486
Miscellaneous revenues	-	375,503	375,503
Total receipts, budgetary basis	3,967,641	4,940,328	972,687
Expenditures:			
District Attorney - County	4,000	4,000	-
County Sheriff	942,862	938,867	3,995
County Treasurer	300,000	293,796	6,204
County Commissioners	614	-	614
County Commissioners OSU Extension	133,860	133,561	299
County Clerk	497,768	495,721	2,047
Court Clerk	576,078	574,579	1,499
County Assessor	290,821	289,174	1,647
Revaluation of Real Property	413,867	399,373	14,494
General Government	572,370	521,160	51,210
Excise - Equalization Board	4,900	2,882	2,018
County Election Expense	251,204	119,359	131,845
Charity	36,861	34,482	2,379
Civil Defense	97,229	96,825	404
Jail	600,000	600,000	-
County Audit Budget Account	203,073	3,196	199,877
Total Expenditures, budgetary basis	4,925,507	4,506,975	418,532
Excess of receipts and beginning cash balances over expenditures, budgetary basis	\$ -	1,400,364	\$ 1,400,364
Operating Transfers:			
Transfer Out		(50,000)	
Net Operating Transfers		(50,000)	
Reconciliation to Statement of Receipts Disbursements, and Changes in cash balances			
Add: Current Year Reserves		83,953	
Add: Current Year Outstanding Warrants		94,514	
Ending Cash Balances		\$ 1,578,831	

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, 2013

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balance:	\$ 515,934	\$ 515,933	\$ (1)
Less: Prior Years Outstanding Warrants	(24,488)	(24,488)	-
Less: Prior Year Reserves	(50,941)	(50,061)	880
Beginning cash balances, budgetary basis	<u>440,505</u>	<u>441,384</u>	<u>879</u>
Receipts:			
Ad valorem taxes	459,007	487,983	28,976
Charges for Services	14,892	35,201	20,309
Total receipts, budgetary basis	<u>473,899</u>	<u>523,184</u>	<u>49,285</u>
Expenditures:			
County Health Budget	<u>923,892</u>	<u>496,798</u>	<u>427,094</u>
Total expenditures, budgetary basis	<u>923,892</u>	<u>496,798</u>	<u>427,094</u>
Excess of receipts and beginning cash balances over disbursements, budgetary basis	<u>\$ (9,488)</u>	467,770	<u>\$ 477,258</u>
Reconciliation to Statement of Receipts Disbursements and Changes in Cash Balances			
Add: Current Year Reserves		113,741	
Add: Current Year Outstanding Warrants		<u>1,382</u>	
Ending Cash Balance		<u>\$ 582,893</u>	

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, 2013

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:					
Restricted Capital Improvement	\$ 2,714	\$ -	\$ 50,000	\$ 50,612	\$ 2,102
911 County-Wide Emergency	195,696	371,604	-	419,174	148,126
Resale Property	677,928	356,644	-	291,655	742,917
Resale Investment	150,000	-	-	-	150,000
Treasurer Mortgage Tax	13,372	12,155	-	12,313	13,214
County Clerk Lien Fee	82,290	108,910	-	72,518	118,682
County Clerk Record Preservation Fund	102,891	106,417	-	37,852	171,456
Assessor Revolving Fee	13,612	10,720	-	11,723	12,609
Assessor Visual Inspection	186	1	-	-	187
Sheriff Service Fee	89,584	271,235	-	275,633	85,186
Sheriff Training	79	-	-	-	79
Sheriff D.A.R.E Donation	140	-	-	-	140
Sheriff Drug Forfeiture	1,613	-	-	-	1,613
Sheriff Drug Buy	673	-	-	-	673
Sheriff K-9 Donation	600	7,700	-	344	7,956
Sheriff Estray Animal	831	-	-	-	831
Sheriff Public Donation	-	13,227	-	1,410	11,817
Littering Reward Fund	208	200	-	-	408
County Highway Application	-	31,600	-	-	31,600
Emergency Management Program	647	-	-	-	647
Combined Total - Remaining Aggregate Funds	\$ 1,333,064	\$ 1,290,413	\$ 50,000	\$ 1,173,234	\$ 1,500,243

GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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.

3. 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 receipt fees for the purpose of maintaining a 911 service.

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

Resale Investment – accounts for investment of monies collected from interest and penalties on delinquent taxes and the disposition of same as restricted by statute.

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

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

County Clerk Record Preservation Fund – accounts for fees collected for instruments filed in the County Clerk's office as restricted by statute for preservation of records.

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

**GRADY COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

Sheriff D.A.R.E. Donation – accounts for grant monies and donations received by the Sheriff's office for the D.A.R.E. program.

Sheriff Drug Forfeiture – accounts for monies collected from forfeitures in drug cases and used for the intervention and prevention of narcotics.

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

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

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

Sheriff Public Donation – accounts for monies received from donations and fundraisers and disbursements are expended for the operation of the Sheriff's office.

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

County Highway Application – accounts for monies received from permits for pipelines and will be used for anything needed for highway construction.

Emergency Management Program – accounts for grant monies received and disbursed as restricted by the grant agreement.

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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Independent Auditor's 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, in accordance with the 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, the combined total—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, 2013, which comprises Grady County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 8, 2015.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than 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, 2013, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Grady County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Grady County's internal control. Accordingly, we do not express an opinion on the effectiveness of Grady County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 described in the accompanying schedule of findings and responses to be material weaknesses: 2013-1, 2013-2, and 2013-3.

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 described in the accompanying schedule of findings and responses to be a significant deficiency: 2013-9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grady County's financial statement is free from 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 responses as item 2013-3.

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 Findings

Grady County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Grady County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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", with a stylized flourish at the end.

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

June 8, 2015

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 2013- 1 – County-Wide Internal 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: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

Management Response:

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, 2013**

Finding 2013-2 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: A lack of segregation of duties exists in the following offices:

- County Treasurer - 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.
- County Clerk - All employees issue receipts and work from the same cash drawer. Deposits are not reviewed before they are taken to the County Treasurer. Voided receipts are not monitored. Additionally, a daily mail log is not maintained.
- County Assessor - All employees issue receipts and work from the same cash bag. Daily deposits are not made with the County Treasurer. Documentation is not maintained over the review of voided receipts. Additionally, a daily mail log is not maintained.
- County Sheriff - One employee performs the duties of receipting, depositing, and reviewing. Daily deposits are not made with the County Treasurer. Voided receipts are not monitored. Additionally, a daily mail log is not maintained.

Cause of Condition: Procedures have not been designed and implemented with regard to segregating the duties over all aspects of the receipting process.

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

Recommendation: OSAI recommends the following key accounting functions of the Treasurer's office be adequately segregated:

- Issuing receipts.
- Preparing/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 includes, but is not limited to, compiling a daily mail log of payments received in the mail.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Further, OSAI recommends establishing a system of internal controls to adequately protect the collections of all offices, which include but are not limited to the following:

- Establish separate cash drawers for all employees receiving cash.
- A daily log of mailed in receipts should be compiled.
- Depositing funds received daily.

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: Due to limited staff, employees must maintain all functions to offer prompt service to the citizens of Grady County. Also, voided receipts and monthly reports are being reviewed and documentation of review is now maintained.

County Clerk: Due to limited space, all employees work from one cash register. We will start initialing the deposits to indicate they were reviewed by someone other than the person preparing the deposit slip, and voided receipts will be monitored.

County Assessor: Our office cannot get change from the County Treasurer's office so we must work out of one bag. This is also part of the reason cash is not deposited on a daily basis. We have one receipt book to reconcile to one cash bag. We do not have time to log all the mail that comes through my office.

County Sheriff: A mail log will be implemented and we will segregate duties. Also, voided receipts will be reviewed and deposits will be made daily.

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

Finding 2013-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the County's payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The payroll clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, maintains personnel files, and prepares state and federal reports.

Additionally, of the sixty (60) expenditures tested, the following exceptions were noted:

- Three purchase orders did not have proper documentation (i.e., receiving reports).

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Cause of Condition: Procedures have not been designed over the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends the following key accounting functions over payroll disbursements be adequately segregated:

- Posting new hires and/or making payroll changes to the payroll system.
- Access to personnel files.
- Preparing state reports and state and federal tax reports.

Further, OSAI recommends disbursements of county funds be supported with invoices and receiving reports in accordance with 19 O.S. § 1505E. In addition, OSAI recommends that sales tax be apportioned and expended in accordance with Title 68 O.S. § 1370E.

Management Response:

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. The Board of County Commissioners now requires that all sales tax expenditures for the seven Senior Nutrition Centers in Grady County be made on purchase orders with proper documentation.

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. The sales tax for the seven Senior Nutrition Centers in Grady County is no longer remitted to them on purchase orders. This was corrected and all expenditures are made on purchase orders with proper documentation attached.

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. Also, internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505E and 68 O.S. § 1370E.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013-9 – Written Disaster Recovery Plan

Condition: A written Disaster Recovery Plan has not been designed for the offices of County Sheriff, County Assessor, District 1, District 2, and District 3.

Cause of Condition: Policies and procedures have not been designed to develop and implement a Disaster Recovery plan for all County offices.

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

Recommendation: OSAI recommends that each office develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

Management Response:

County Sheriff: We will create one and have it on file.

County Assessor: I was not aware that my office should have its own individual plan aside from the County-Wide plan. One will be created for the office.

District 1: We have actions in place in case of any disasters, but we will work on getting a plan written.

District 2: We have actions in place in case of any disasters, but we will work on getting a plan written.

District 3: We have actions in place in case of any disasters, but we will work on getting a plan written.

Criteria: An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

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 2013-6 - Transfer of Funds

Condition: The County transferred funds in the amount of \$50,000 from the County General Fund to the Restricted Capital Improvement fund for courthouse improvements and the money was not repaid within the fiscal year.

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

Effect of Condition: These conditions resulted in noncompliance with state statute. 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.

County Clerk: This has been corrected.

Criteria: Title 68 O.S. § 3021 states in part, “Fourth: 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.”

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding 2013- 10 – Inadequate Internal Controls and Noncompliance Over the Court Clerk Collection and Disbursement Processes (Repeat Finding)

Condition: Upon inquiry and the observation of records, with regards to the collection and disbursement processes of the Court Fund and the Court Clerk Revolving Fund, we noted the following:

- All employees work from the same cash drawers and issue receipts. Although Court Clerk employees rotate the duties of balancing the cash drawer, preparing the deposit, making the deposit, and posting to the ledger, one employee will perform all of these duties on the day of their rotation.
- In the review of 25 district court voided receipts, four (4) original receipts were not properly marked as void.
- With regard to the Court Fund disbursement process, the Court Clerk performs the duties of requisitioning, receiving goods and services, issuing vouchers (vouchers are posted to the ledger automatically), and mailing or delivering vouchers to vendors.
- With regard to the Court Clerk Revolving Fund disbursement process, one employee is responsible for the duties of preparing vouchers, calculating amounts to other agencies, signing vouchers, and mailing or distributing vouchers for refunds.

Cause of Condition: Procedures have not been designed and implemented with regards to segregating the duties over all aspects of the collection process and the disbursement processes of Court Fund and Court Clerk Fund Revolving.

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 oversight 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. Additionally, the Court Clerk should take necessary steps to provide for an accurate accounting of District Court receipts by ensuring that original receipts are properly marked as void.

Further, OSAI recommends that the duties of the disbursement processes should be adequately segregated regarding requisitioning, receiving goods and services, issuing vouchers and mailing or delivering vouchers to vendors.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 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, I also must balance with the Treasurer and the County Clerk. With regards to voided receipts and supporting documentation for Court Fund expenditures, these conditions will be corrected in the future.

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.

Effective internal controls are necessary to ensure stewardship and accountability of public funds. Aspects of effective accounting procedures include marking original receipts as voided as well as voiding the receipt in the computer. Effective accounting procedures also include maintaining invoices and/or supporting documentation for all expenditures of the Court Fund. Invoices and supporting documentation are important to verify the mathematical accuracy and validity of the expenditure.

Finding 2013-11 – Estimate of Needs

Condition: Upon review of the County's estimate of needs for the fiscal year ending June 30, 2013, it was noted that the County's budgeted appropriations exceeded the County's budgeted revenues and cash balance in the amount of \$9,488 for the Health Fund.

Cause of Condition: Policies and procedures have not been designed to ensure that the Estimate of Needs is accurately completed.

Effect of Condition: This resulted in the County's budgeted appropriations exceeding the budgeted revenues and beginning cash balance. It could also 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 the budgeted appropriations do not exceed budgeted revenues and beginning cash balance.

Management Response:

Board of County Commissioners: We have discussed this issue with the budget maker, and corrective measures will be taken.

**GRADY COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Criteria: 68 O.S. § 3002 (A) states, “Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district, shall, prior to October 1 of each year, 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 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. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.”



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