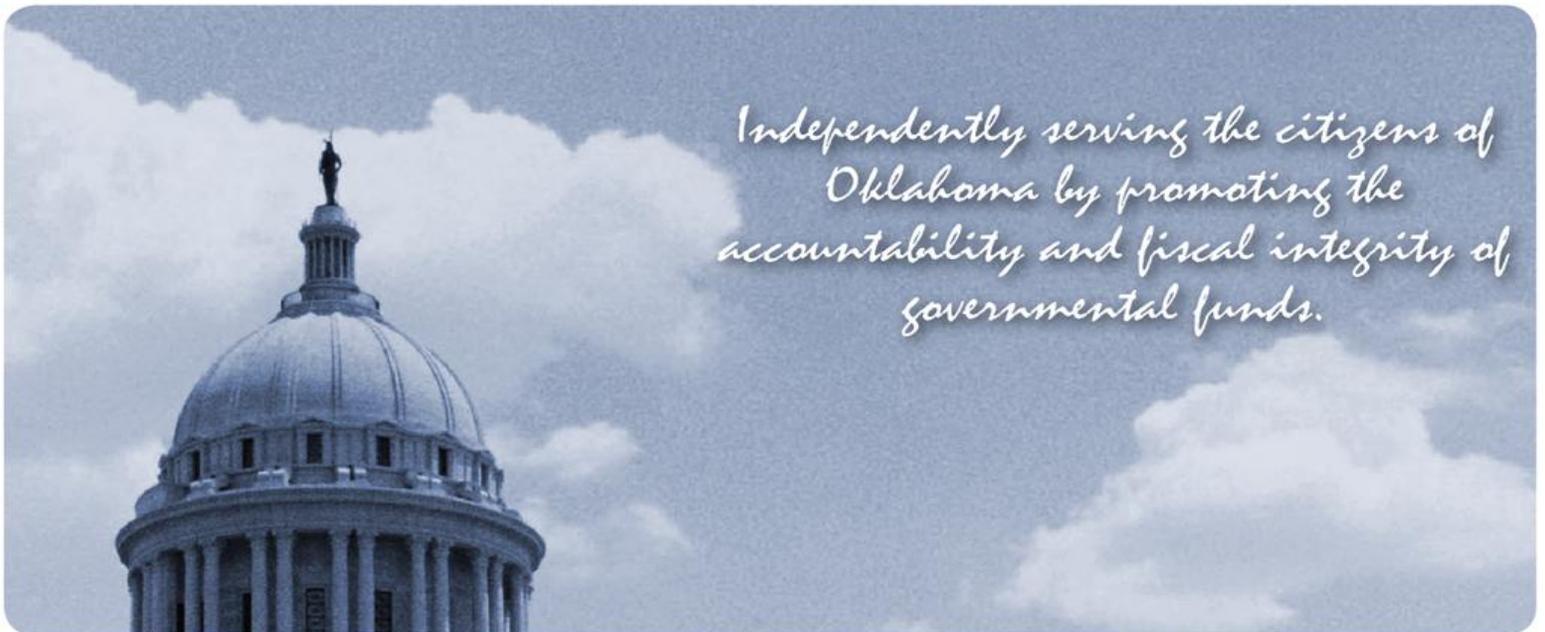


COUNTY AUDIT

# GRADY COUNTY

For the fiscal year ended June 30, 2015



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



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

**GRADY COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

March 8, 2016

TO THE CITIZENS OF  
GRADY COUNTY, OKLAHOMA

Transmitted herewith is the audit of Grady County, Oklahoma for the fiscal year ended June 30, 2015. 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 that reads "Gary A. Jones".

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

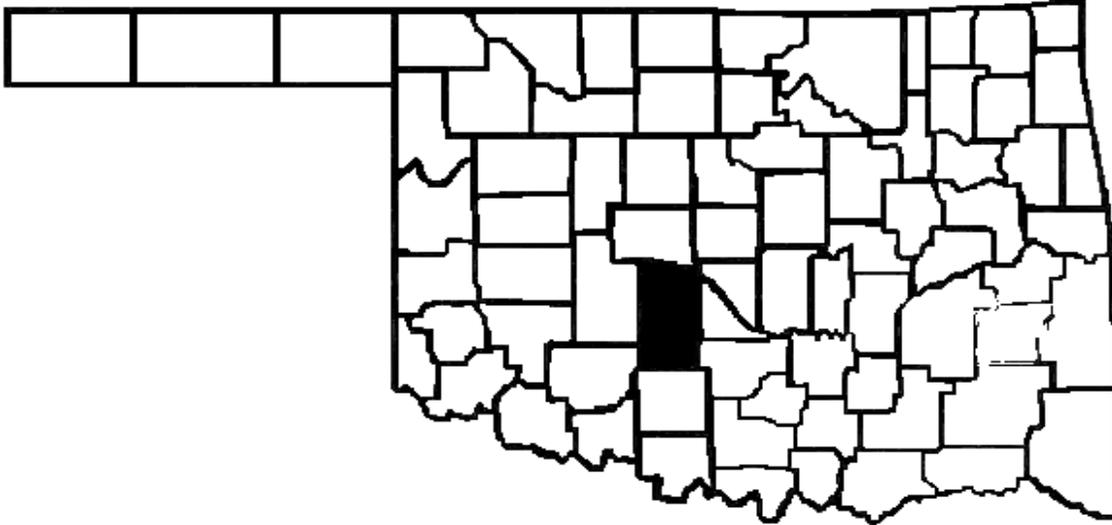
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**GRADY COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 other highways, the Union Pacific and Stillwater Central railroads serve the transportation needs of the county.

Specialized educational needs are met by the Jane Brooks School for the Deaf and the University of Science and Arts of Oklahoma, all in Chickasha. Recreational opportunities are available at Lakes Burttschi 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 – 1,105.30 Square Miles

County Population – 53,854  
(2014 est.)

Farms – 1,666

Land in Farms – 583,322 Acres

Primary Source: Oklahoma Almanac 2015-2016

**GRADY COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Board of County Commissioners**

District 1 – Windle Hardy  
District 2 – Mike Lennier  
District 3 – Ralph Beard

**County Assessor**

Bari Firestone

**County Clerk**

Sharon Shoemake

**County Sheriff**

Jim Weir

**County Treasurer**

Robin Burton

**Court Clerk**

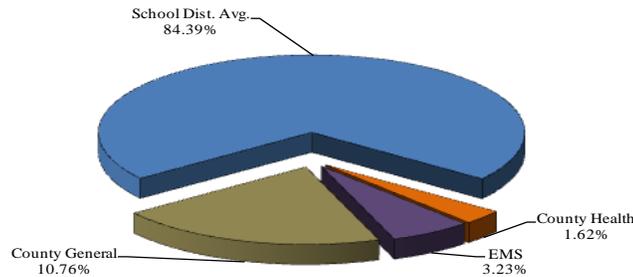
Lisa Hannah

**District Attorney**

Jason Hicks

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

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					
				Gen.	Bldg.	Skg.	Tech	Common	Total
County General	10.33								
County Health	1.55	Chickasha	I-1	35.78	5.11	28.42	15.46	4.13	88.90
EMS	3.10	Minco	I-2	35.99	5.14	17.83	15.46	4.13	78.55
		Friend	I-37	36.57	5.22	11.58	15.46	4.13	72.96
		Ninnekah	I-51	36.70	5.20	17.03	15.46	4.13	78.52
		Alex	I-56	36.27	5.18	7.17	15.46	4.13	68.21
		Rush Springs	I-68	36.07	5.15	10.29	15.46	4.13	71.10
		Bridgecreek	I-95	36.44	5.21	29.74	11.38	4.13	86.90
		Middleberg	I-96	36.55	5.22	18.71	15.46	4.13	80.07
		Tuttle	I-97	36.25	5.18	25.61	15.46	4.13	86.63
		Verden	I-99	37.35	5.34	13.51	11.65	4.13	71.98
		Amber-Pocasset	I-128	36.20	5.17	18.39	15.46	4.13	79.35
		Pioneer	I-131	36.96	5.28	11.00	15.46	4.13	72.83
		Cement	J-160	36.40	5.20	23.70	11.65	4.13	81.08
		Sterling	J-3	37.48	5.35	17.48	14.61	4.13	79.05
		Fletcher	J-9	35.10	5.01	11.73	14.61	4.13	70.58
		Lindsay	J-9	36.35	5.19	13.25	11.38	4.13	70.30
		Newcastle	J-1	36.69	5.24	43.22	11.38	4.13	100.66
		Dibble	J-2	36.68	5.24	30.07	11.38	4.13	87.50
		Blanchard	J-29	36.92	5.27	47.30	11.38	4.13	105.00
		Marlow	J-3	36.96	5.28	22.58	12.19	4.13	81.14
		Marlow-Central	J-34	35.18	5.03	31.95	12.19	4.13	88.48
		Bray-Doyle	J-42	36.40	5.20	23.70	12.19	4.13	81.62

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

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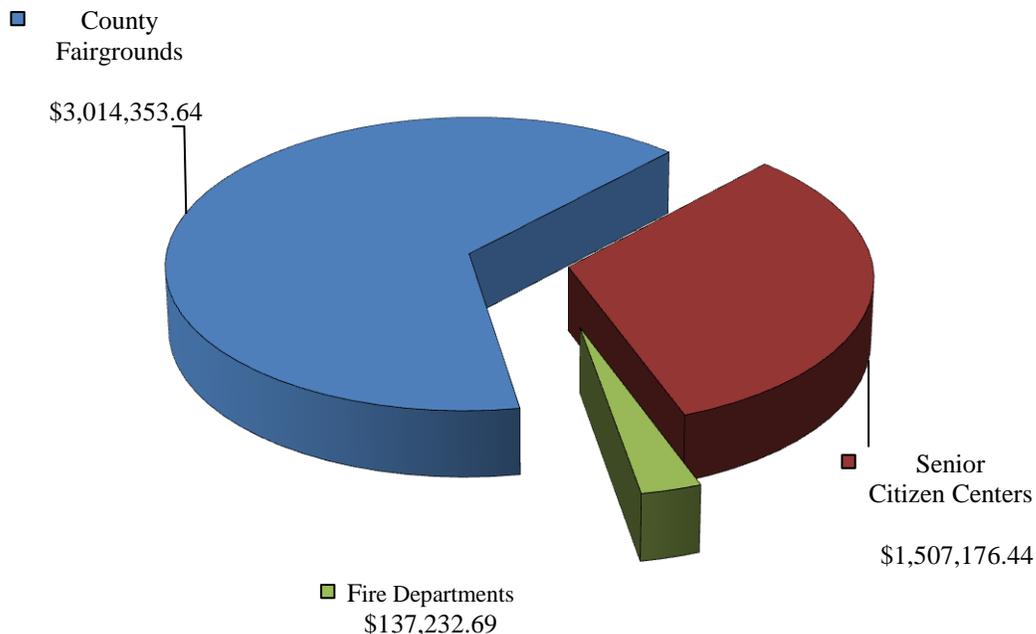
## Sales Tax

During the fiscal year the County collected \$4,658,762.77 in total sales tax.

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. During the fiscal year the County collected \$1,507,176.44 in sales tax for the senior citizen centers.

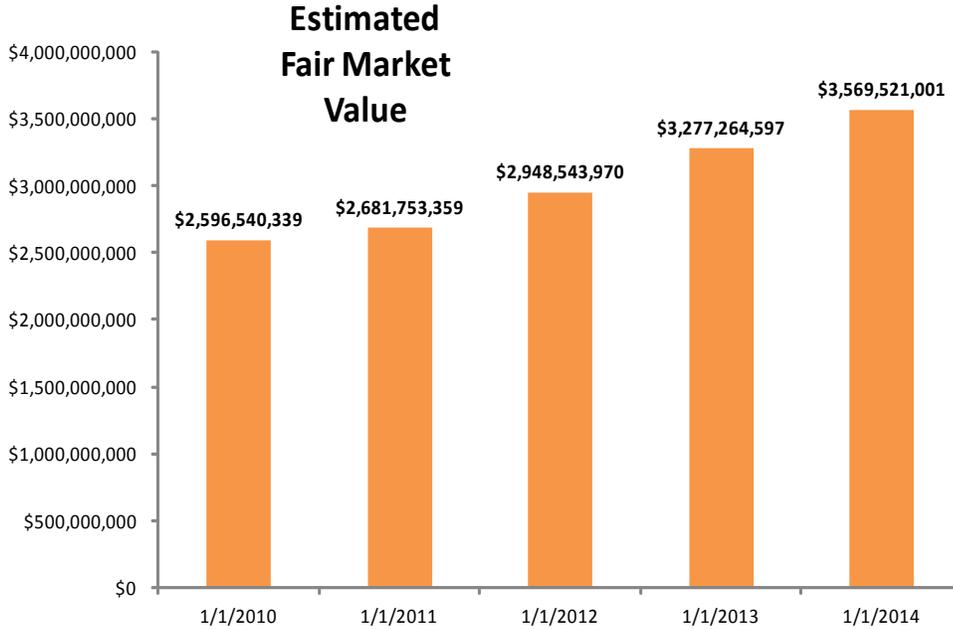
Grady County voters approved a 15 year extension of 1/4% sales tax on May 10, 2013. The proceeds derived from the sales tax are for acquiring, constructing, and equipping additions and improvements to the Grady County Fairgrounds, or to retire any bonds issued for such purposes, and to operate and maintain the Grady County Fairgrounds. Sales tax collections continue and will end on December 31, 2029. The sales tax is apportioned to the County Sales Tax fund for the designated purpose. During the fiscal year the County collected \$3,014,353.64 in sales tax for the county fairgrounds.

Grady County voters approved a 10 year 1/8% sales tax on November 4, 2014. The proceeds derived from the sales tax are for support of the 20 fire departments in Grady County. Sales tax collections began April 1, 2015 and end March 30, 2025. The sales tax is apportioned to the County Sales Tax fund for the designated purpose. During the fiscal year the County collected \$137,232.69 in sales tax for the fire departments.



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

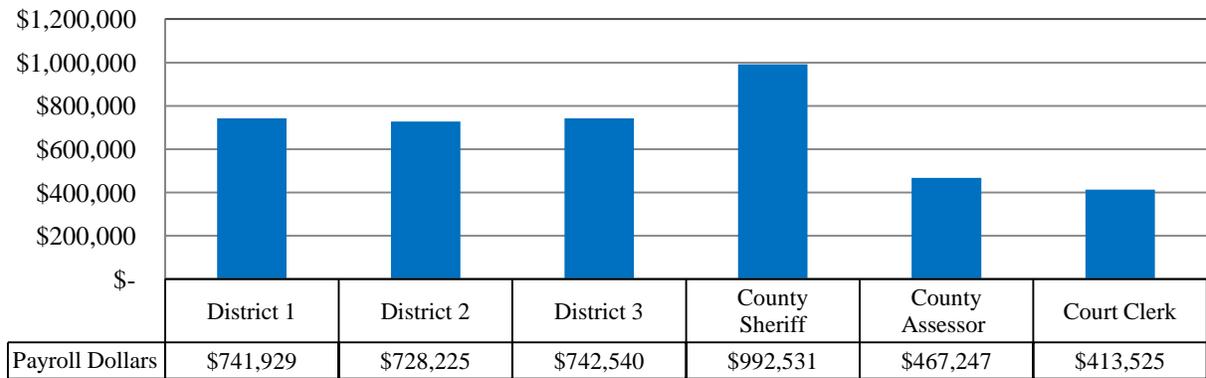
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$134,017,259	\$29,791,278	\$244,889,839	\$16,273,377	\$392,424,999	\$3,569,521,001
1/1/2013	\$112,899,096	\$33,949,143	\$231,942,124	\$15,996,430	\$362,793,933	\$3,277,264,597
1/1/2012	\$86,501,913	\$33,404,917	\$221,756,782	\$15,916,899	\$325,746,713	\$2,948,543,970
1/1/2011	\$62,978,660	\$34,483,661	\$214,772,379	\$15,734,395	\$296,500,305	\$2,681,753,359
1/1/2010	\$67,434,023	\$30,978,269	\$203,272,462	\$15,400,455	\$286,284,299	\$2,596,540,339



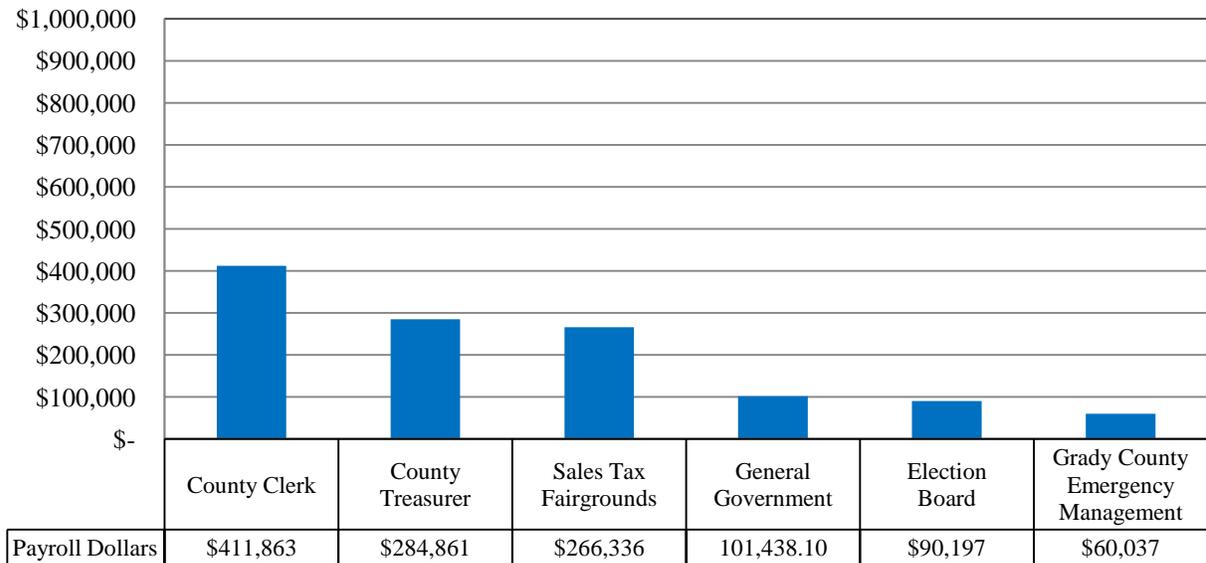
**GRADY COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

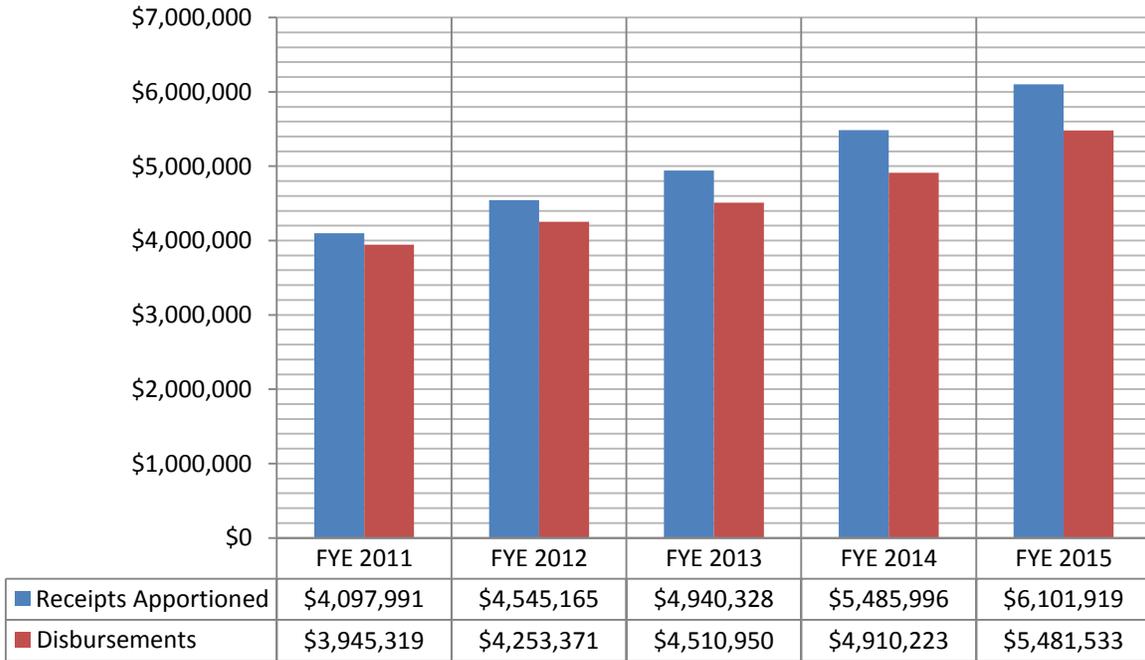


**GRADY COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## County General Fund

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

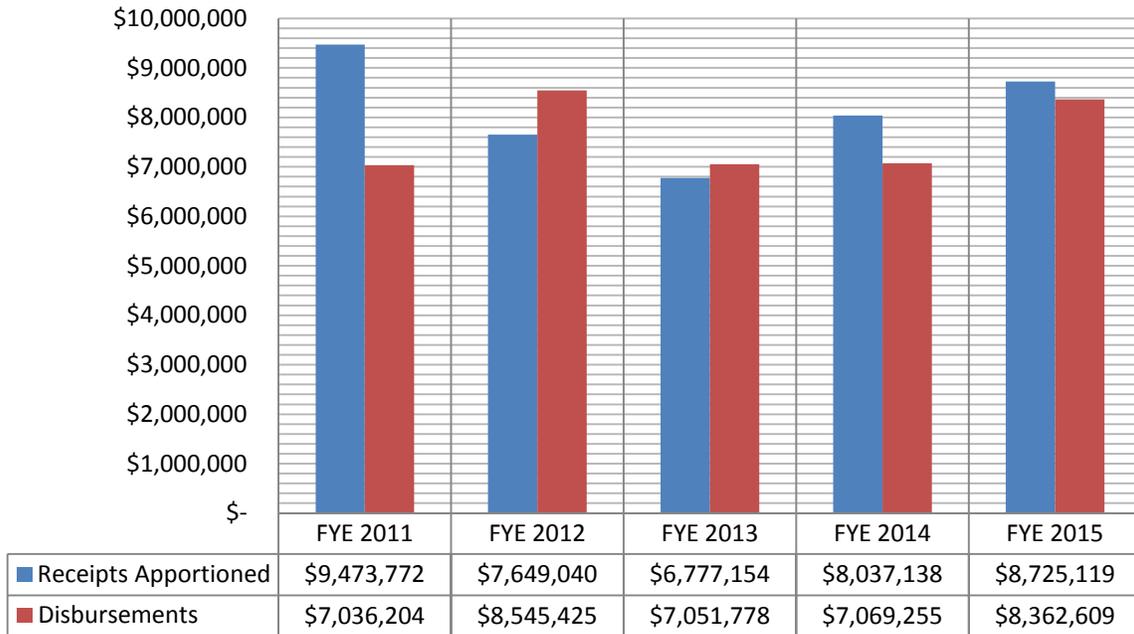


**GRADY COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

---

## 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, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *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, 2015, 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, 2015, in accordance with 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 March 7, 2016, 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 that reads "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

March 7, 2016

**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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
Major Funds:						
County General Fund	\$ 2,004,604	\$ 6,101,919	\$ 1,653,872	\$ 1,595,000	\$ 5,481,533	\$ 2,683,862
County Highway Fund	5,201,056	8,725,119	1,595,000	1,595,000	8,362,609	5,563,566
County Health	426,297	628,551	-	-	671,098	383,750
County Sales Tax	4,879,179	4,662,247	-	-	4,084,739	5,456,687
Burne Formula Grant	110	-	-	-	-	110
Safe Room Rebate	807	7,277	-	7,277	-	807
FEMA - Hazard Mitigation Grant	245	-	-	-	-	245
Emergency Management Grant	387	-	-	-	-	387
Local Emergency Management Grant - Planning	1,000	-	-	-	-	1,000
County Sinking	2	-	-	-	-	2
Home Finance Authorization Safe Room	-	248,000	-	-	229,591	18,409
FEMA - Personal Property Equipment Grant	-	241,880	-	-	241,880	-
Remaining Aggregate Funds	1,761,703	1,774,555	-	51,595	1,505,115	1,979,548
<b>Combined Total - All County Funds</b>	<b>\$ 14,275,390</b>	<b>\$ 22,389,548</b>	<b>\$ 3,248,872</b>	<b>\$ 3,248,872</b>	<b>\$ 20,576,565</b>	<b>\$ 16,088,373</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, 2015**

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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 Highway Fund – 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 50% is used for renovation and maintenance and operation of the county fairgrounds, 25% is used to operate and maintain the present seven senior nutrition centers (Alex, Chickasha, Minco, Ninnekah, Rush Springs, Tuttle, and Verden) and 25% is used to support the 20 fire departments (Minco, Tuttle, Bridge Creek, Harold, Pocasset, Amber, Blanchard, Naples, Friend, Chickasha, Verden, Pioneer, Ninnekah, Farwell, Alex, Bradley, Acme, Rush Springs, Bailey, and Cox City) in Grady County.

**GRADY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

Emergency Management Grant – accounts for monies received from a state grant and expended for computer equipment for the Emergency Management Department.

Local Emergency Management Grant - Planning – accounts for monies received from the Department of Homeland Security and expended on computer equipment for the Emergency Management Department.

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.

Home Finance Authorization Safe Room – accounts for monies received from the Home Finance Authority and expenditures are for the reimbursements for construction of storm cellars/safe rooms.

FEMA – Personal Property Equipment Grant – accounts for monies received from a federal grant and matched at 5% by county funds and expended for bunker gear (coats and pants) for fire departments in Grady County.

**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

**GRADY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

---

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 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

**GRADY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

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

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPER 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.

**GRADY COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 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.

Grady County voters approved a 15 year extension of 1/4% sales tax on May 10, 2013. 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 continue and will end on December 31, 2029. The sales tax is apportioned to the County Sales Tax fund for the designated purpose.

Grady County voters approved a 10 year 1/8% sales tax on November 4, 2014. The proceeds derived from the sales tax are for support of the 20 fire departments in Grady County. Sales tax collections began April 1, 2015 and end March 30, 2025. The sales tax is apportioned to the County Sales Tax fund for the designated purpose.

**E. Interfund Transfers**

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

- \$1,595,000 was transferred to the County General Fund from the County Highway fund to cover non-payable warrants issued from the County General Fund.
- \$1,595,000 was transferred from the County General Fund to reimburse the County Highway fund after adequate ad valorem collections were apportioned to the County General Fund.
- \$7,277 was transferred from the Safe Room Rebate fund to the County General Fund to reimburse the fund for expenditures.
- \$51,595 was transferred from the Restricted Capital Improvement fund to the County General Fund to correct a prior year mistake.

**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, 2015**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 2,004,570	\$ 2,004,604	\$ 34
Less: Prior Year Outstanding Warrants	(98,941)	(98,976)	(35)
Less: Prior Year Reserves	(94,426)	(79,964)	14,462
Beginning Cash Balances, Budgetary Basis	<u>1,811,203</u>	<u>1,825,664</u>	<u>14,461</u>
Receipts:			
Ad Valorem Taxes	3,685,227	4,095,927	410,700
Charges for Services	139,506	442,534	303,028
Intergovernmental Revenues	557,710	1,152,461	594,751
Miscellaneous Revenues	-	410,997	410,997
Total Receipts, Budgetary Basis	<u>4,382,443</u>	<u>6,101,919</u>	<u>1,719,476</u>
Expenditures:			
District Attorney	15,000	12,000	3,000
County Sheriff	1,191,708	1,173,543	18,165
County Treasurer	379,818	364,580	15,238
County Commissioners	614	-	614
County Commissioners OSU Extension	149,950	147,287	2,663
County Clerk	652,677	642,146	10,531
Court Clerk	603,329	593,007	10,322
County Assessor	325,829	325,719	110
Revaluation of Real Property	462,826	446,631	16,195
General Government	767,317	618,933	148,384
Excise-Equalization Board	4,900	3,261	1,639
County Election Board	265,605	121,319	144,286
Charity	41,361	24,990	16,371
Civil Defense	132,860	128,239	4,621
Jail	600,000	600,000	-
Capital Improvements	300,000	288,520	11,480
County Audit Budget Account	299,852	91,416	208,436
Total Expenditures, Budgetary Basis	<u>6,193,646</u>	<u>5,581,591</u>	<u>612,055</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>2,345,992</u>	<u>\$ 2,345,992</u>
Operating Transfers:			
Operating Transfer In		1,653,872	
Operating Transfer Out		(1,595,000)	
Net Operating Transfers		<u>58,872</u>	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		2,349	
Add: Current Year Outstanding Warrants		130,412	
Add: Current Year Reserves		146,237	
Ending Cash Balance		<u>\$ 2,683,862</u>	

**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, 2015**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 426,299	\$ 426,297	\$ -
Less: Prior Year Outstanding Warrants	(49,119)	(49,119)	-
Less: Prior Year Reserves	(4,531)	(3,850)	681
Beginning Cash Balances, Budgetary Basis	372,649	373,328	679
Receipts:			
Ad Valorem Taxes	552,963	574,601	21,638
Charges for Services	-	13,248	13,248
Intergovernmental	13,045	40,702	27,657
Total Receipts, Budgetary Basis	566,008	628,551	62,543
Expenditures:			
Health and Welfare	938,657	671,530	267,127
Total Expenditures, Budgetary Basis	938,657	671,530	267,127
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	330,349	\$ 330,349
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Reserves		2,830	
Add: Current Year Outstanding Warrants		50,571	
Ending Cash Balance		\$ 383,750	

**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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Remaining Aggregate Funds:						
Sheriff LLE Block Grant - 2004	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Restricted Capital Improvement	51,595	-	-	51,595	-	-
911 County-Wide Emergency	50,781	357,677	-	-	357,515	50,943
Resale Property	851,317	661,535	-	-	656,062	856,790
Resale Investment	150,000	-	-	-	-	150,000
Treasurer Mortgage Tax Certification Fee	17,199	10,820	-	-	18,089	9,930
County Clerk Lien Fee	213,743	186,233	-	-	113,336	286,640
County Clerk Record Preservation Fund	174,514	122,760	-	-	62,507	234,767
Assessor Revolving Fee	18,862	17,325	-	-	17,218	18,969
Assessor Visual Inspection	188	-	-	-	-	188
Sheriff Service Fee	144,976	362,810	-	-	269,163	238,623
Sheriff Training	79	-	-	-	-	79
Sheriff D.A.R.E. Donation	140	-	-	-	-	140
Sheriff Drug Forfeiture	1,613	-	-	-	181	1,432
Sheriff Drug Buy	673	-	-	-	-	673
Sheriff K-9 Donation	11,235	300	-	-	8,795	2,740
Sheriff Estray Animal	831	-	-	-	310	521
Sheriff Public Donation	2,748	500	-	-	1,939	1,309
Littering Reward Fund	408	195	-	-	-	603
County Highway Application	70,800	54,400	-	-	-	125,200
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,761,703</b>	<b>\$ 1,774,555</b>	<b>\$ -</b>	<b>\$ 51,595</b>	<b>\$ 1,505,115</b>	<b>\$ 1,979,548</b>

**GRADY COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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:

Sheriff LLE Block Grant - 2004 – accounts for grant monies received used to purchase equipment as restricted by the grant agreement.

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 imposed on the residents within the boundaries of Grady County from the telephone company and to be disbursed for maintaining an emergency telephone system.

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

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

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

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

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

**GRADY COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

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

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

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 proceeds from forfeited drug cases and disbursed for drug enforcement.

Sheriff Drug Buy – accounts for monies received from forfeitures and disbursed for drug enforcement.

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 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 pipeline crossings and disbursed for construction and maintenance of roads and bridges.

**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

## **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, 2015, and the related notes to the financial statement, which collectively 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 March 7, 2016.

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, 2015, 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: 2015-1 and 2015-3.

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: 2015-9.

### **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 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 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 them.

### **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.



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

March 7, 2016

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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 2015- 1 –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:** The Oklahoma State Auditor and 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:**

**Chairman, Board of County Commissioners:** We are aware of the condition and will work toward assessing and identifying risks to design written county-wide controls. We will work to 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 met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment 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

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2015-3 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** We noted the following weaknesses with regards to the disbursement process:

- Although two (2) separate individuals will enroll new hires and prepare the paperwork, there is a lack of documentation to ensure the adequate segregation of duties for this process.
- There was no indication that the payroll clerk reviewed the payroll reports after the Certified Public Accountant prepares payroll.
- The signatures of the County Clerk and the Board of County Commissioners (BOCC) Chairman that appear on all warrants are facsimile signatures printed by the software system. Neither the County Clerk nor the BOCC Chairman reviews or initials the warrants after they are printed. The individual(s) in charge of printing all warrants has access/custody to the check stock.

Additionally, the audit of eighty-eight (88) disbursements reflected the following:

- Two (2) instances were noted in which the disbursement was not properly encumbered.
- Sixteen (16) instances were noted in which the purchase order did not have proper review or authorization of the purchase order.
- Sixteen (16) instances were noted in which the purchase order did not have adequate supporting documentation (i.e., receiving reports and invoices).
- One (1) cash voucher claim did not have adequate supporting documentation.

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

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

**Recommendation:** OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

OSAI recommends the following regarding the disbursement process:

- Key accounting functions of the payroll process should be adequately segregated.
- Warrants should be reviewed and at least one facsimile signature should be initialed for internal control purposes.
- Digital signatures should not be utilized. A County that utilizes digital signatures increases the risk of the unauthorized use of another person's signature.

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Additionally, OSAI recommends all disbursements of County funds be supported with invoices and receiving reports and encumbered prior to the receipt of goods and/or services in accordance with 19 O.S. § 1505.

**Management Response:**

**Chairman, Board of County Commissioners:** We are aware of these conditions and will work to correct them. Purchase orders will have proper documents attached and be properly encumbered or a letter from our legal counsel will be obtained prior to BOCC approval of purchase orders. The BOCC Chairman will review and initial warrants after they are printed.

**County Clerk:** A lack of personnel requires some overlapping of duties. Our office will attempt to structure procedures for more segregation. In addition, in the future, either the County Clerk or the BOCC Chairman will review and initial warrants after they are printed.

Payroll purchase orders will no longer be utilized for payroll purposes. We will print the payroll affidavit and ensure the official or the 1<sup>st</sup> deputy review and sign these documents as well as obtain approval from the Board of County Commissioners before payroll is run.

We will no longer issue payments on cash vouchers until all supporting documentation is in hand.

**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.

**Finding 2015- 9 – Written Disaster Recovery Plan (Repeat Finding)**

**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 Plan should include the following:

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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- 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 are aware of the condition and will work toward the design of a Disaster Recovery Plan and have it on file.

**County Assessor:** We are aware of the condition and will work toward the design of a Disaster Recovery Plan.

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

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

**County Commissioner 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.

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.

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**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 2015-2- Inadequate Internal Controls Over the Official Depository Collection Process (Repeat Finding)**

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

- 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:** Policies and 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 establishing a system of internal controls to adequately protect the collections of all offices, which includes but is 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.

**GRADY COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Management Response:**

**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:** Accountability and stewardship are over all 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 assets, and record transactions.

**Finding 2015-12 - Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories**

**Condition:** Upon inquiry and observation of fixed assets inventory items, we noted the following weaknesses:

- The offices of Court Clerk, County Clerk, County Sheriff, District 1, District 2, and District 3 have not designed policies and procedures to perform and document an annual physical inventory of all fixed assets.
- Policies and procedures have not been designed to ensure that county-owned assets are clearly marked with the county identification number and/or "Property of Grady County," for the following offices: District 1 and District 3.

Upon inquiry and observation of consumable inventory items for District 1, 2 and 3, we noted the following weaknesses:

- A monthly physical count of consumable inventory is not performed on all consumables, i.e., tires and grader blades at District 1, District 2, and District 3.
- Fuel usage/inventory is not reconciled on a monthly basis at District 1, District 2, and District 3.
- Seven (7) of the eight (8) consumable stock cards tested at District 3 did not agree with inventory items on hand.

**Cause of Condition:** Policies and procedures have not been designed and implemented by county officers for the accurate reporting of fixed assets and consumable inventories, as well as procedures to ensure compliance with state statutes.

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**Effect of Condition:** These conditions result 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. Additionally, when consumable inventory items are not adequately documented and inadequate segregation of duties exist, the opportunity for the misappropriation and undetected errors, could result.

**Recommendation:** OSAI recommends the County adopt policies and procedures to implement a system of internal controls over the fixed asset records to ensure all fixed assets are properly marked with county identification numbers in accordance with 19 O.S. § 1502(A)(1), 19 O.S. § 1502(B)(1), perform and document a periodic inventory of fixed assets in accordance with 19 O.S. § 178.1, and that fixed assets required be properly identify with “Property of...,” in accordance with 69 O.S. § 645.

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

- Perform an annual visual inspection of all fixed assets.
- The annual review duty and inventory control duty should be performed by separate employees in order to effectively segregate those duties.
- Annual reviews should be signed and dated by the reviewer and filed with the County Clerk.
- Perform a monthly consumable inventory count.
- The monthly review duty should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls.
- The key functions of receiving duties and consumable inventory control duties should be performed by separate employees in order to effectively segregate those duties.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

**Management Response:**

**County Clerk:** The County Clerk will perform an annual count of fixed assets and maintain supporting documentation.

**County Sheriff:** The County Sheriff will perform an annual count of fixed assets to ensure items are properly identified and file the documentation with the County Clerk.

**County Commissioner Districts 1, 2, and 3:** We will work to implement a system of internal controls to ensure fixed assets are properly identified and perform monthly consumable inventory counts and maintain documentation where fuel logs are reconciled to fuel on hand.

**Court Clerk:** The Court Clerk will instruct inventory officer to sign and date annual inventory reports and file with the County Clerk’s office.

**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,

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designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 1502(A)(1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) which requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.

Title 69 O.S. § 645 all county owned, rented, or leased road machinery or equipment be clearly and visibly marked "Property Of..."

Title 19 O.S. § 178.1 which requires the board of county commissioners to take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county which cost more than Five Hundred Dollars (\$500.00).



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