

The Honorable Mayor, City Council and Audit Committee
The City of Oklahoma City, Oklahoma
Oklahoma City, Oklahoma

As part of our audits of the financial statements and compliance of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2013, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America; the Standards Applicable to Financial Audits Contained in Government Auditing Standards, Issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

An audit performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in OMB Circular A-133 that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our audit contract more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our audit contract more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The City's significant accounting policies are described in Note I of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Fair value of investments
- Unbilled revenue
- Allowance for doubtful accounts
- Depreciable lives of capital assets
- Accruals for self-insurance
- Accounting for judgment liabilities
- Pollution remediation liabilities
- Liabilities for other post-employment benefits
- Pension obligations
- Insurance recovery receivable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Adoption of Governmental Accounting Standards Board (GASB) Statements No. 61, 63 and 65
- Prior period adjustment
- Litigation contingencies

- Estimated claims payable
- Post-employment benefit obligations

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Capital asset-related items
- Revenue recognition items
- Cash reconciling items
- Prepaid assets
- Unearned revenue

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor's Judgments About the Quality of the City's Accounting Principles

No matters are reportable.

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issue regarding application of accounting principles or auditing standards was discussed:

- Adoption of GASB Statements No. 61, 63 and 65

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Prior period adjustment
- Insurance recovery relating to May 31 storm

Other Material Written Communication

Listed below is another material written communication between management and us related to the audit:

- Management representation letter (attached)

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the City's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a 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 observed the following matters that we consider to be deficiencies, significant deficiencies or material weaknesses.

Material Weaknesses

Refer to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

Significant Deficiencies

Refer to the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

Deficiencies

Post-Closing and Audit Adjustments

During the course of the audit, as in previous years, the City made post-closing and correcting entries to adjust balances in the trial balances initially provided to us to conduct the audit. In addition, various audit entries were identified during the audit process. We recommend the City continue to evaluate post-closing adjustments to determine if processes or procedures could be improved that would reduce the volume of post-closing and audit entries in connection with future audits.

Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting. The manager of human resources has super-user access to change master files relating to payroll deductions in employee paychecks for benefits and other miscellaneous elections.

Management has established complimentary or compensating controls to reduce the risks related to the incompatible duties. However, failure of one or more of those complementary or compensating controls could expose the City to future risks related to errors or fraud. We suggest management continue to monitor controls and evaluate the cost versus benefit of adding additional personnel or segregating controls further.

Allowance for Doubtful Accounts

We noted during our audit of the Oklahoma City Zoological Trust (OCZT) that an analysis is not being performed to determine an appropriate allowance for doubtful accounts. We recommend management develop a method to determine an appropriate allowance for doubtful accounts and consistently use it on a periodic basis, at least annually, to analyze whether an allowance should be recorded.

Inventory Management System

Through discussion with OCZT staff, we became aware that the OCZT's inventory was not being reconciled on a reasonable basis and the inventory management software was producing system-generated errors. Without timely reconciliation at reasonable intervals throughout the year, it becomes difficult to monitor the inventory management system for errors and monitor potential inventory misappropriation. We recommend inventory counts be performed at least quarterly to ensure active monitoring and management is taking place.

Notes Payable

We noted subsequent years' calculated payments on notes payable of Oklahoma City Redevelopment Authority (OCRA) were calculated using an incorrect interest rate, resulting in incorrect interest payments and disclosures in the financials. We recommend management develop a method to review calculations prepared by others to ensure compliance with the loan agreements.

INTERNAL CONTROL OVER COMPLIANCE

In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be a significant deficiency.

Significant Deficiency

Refer to the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters that we offer for your consideration. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

Bond Reserve

Currently, the Central Oklahoma Transportation and Parking Authority's (COTPA) 2013 Revenue Bond reserve funds are invested in U.S. Treasury Strips, which are susceptible to market risk. Under the bond indenture, the City is liable to make up any shortfalls in the bond reserve balance should the market value decline below the required balance. We recommend the bond reserve fund be invested in lower risk investments, such as a money market account, to reduce the future exposure of the City.

Check Signers

We noted that OCRA's authorized signers for bank accounts were not removed timely in all cases after it was determined those parties should no longer be authorized on those accounts. We recommend management follow up with the appropriate bank in a timely manner after instruction has been given to remove signers no longer authorized on those accounts.

Deposit Collateralization

The City maintains a policy that all deposits in excess of FDIC insurable limits be collateralized with pledged assets of 110%. We noted that COTPA and the Oklahoma City Airports Trust (OCAT) failed to meet this requirement as of June 30, 2013. We suggest processes be reviewed for monitoring the collateral requirements by COTPA and OCAT and the financial institutions be reminded of the City's requirements outlined in the banking agreements.

In addition, the OCRA did not maintain evidence of collateral on uninsured deposits. We recommend management maintain copies of critical information and review periodically to ensure information is updated.

Inventory Obsolescence

Through discussion with OCZT staff, we became aware that a portion of inventory is slow moving and is not being evaluated for obsolescence. Management should monitor inventory for obsolescence and mark such inventory down to its net realizable value annually. In addition, turning the inventory creates cash flows and frees up space for fresh inventory.

Prescription Expense

We observed Oklahoma City Post-Employment Benefits Trust's (OPEBT) reclassification of prescription expense between the Under 65 age group and the Over 64 age group. This was the result of a PeopleSoft processing error for indemnity plan members who did not change insurance plans or made tier changes when they reached Medicare eligible age. The processing error started in 2003 and was not discovered until November 2012. Although the reclassification of expense had no impact on the financial statements of OPEBT, it created a 17% decrease in premium rate for the retirees in the Under 65 age group and a 19% increase in the premium rate in the Over 64 age group.

We noted that OPEBT has taken steps to correct the processing error. We recommend OPEBT management continue monitoring the changes made and test these changes for accuracy on a periodic basis.

Documentation of Compliance with Federal Grant Awards

The grant administration of the City remains decentralized whereby various departments are responsible for the administration and compliance associated with aspects of their individual grant awards. In testing certain compliance requirements, we noted that formal documentation of reviews being performed and specific approvals by individuals were not well maintained and documentation of meeting generally consistent compliance requirements varied by department. We recommend the City improve grant policies and related internal controls by requiring formal documentation (*i.e.*, signatures, initials, etc.) of all reviews and approvals and consistent documentation among departments of certain compliance requirements be maintained to ensure adequate documentation exists of meeting compliance requirements.

Financial Statement Disclosures

GASB recently issued the following statements not yet required to be adopted by the City:

GASB Statement No. 66, *Technical Corrections – 2012*, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB Statement No. 66 amends both GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of GASB 66 are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis.

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, establishes financial reporting standards for state and local government pension plans that are administered through trusts or equivalent arrangements. GASB Statement No. 67 amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The provisions of GASB Statement No. 67 are effective for periods beginning after June 15, 2013, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 68, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, establishes standards of accounting and financial reporting for defined pension benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers that are administered through trusts or equivalent arrangements. GASB Statement No. 68 amends GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The provisions of GASB Statement No. 68 are effective for periods beginning after June 15, 2014, and would be applied on a prospective basis. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term, "government combinations," includes a variety of transactions referred to as mergers, acquisitions and transfers of operations. This standard is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will improve accounting and financial reporting of state and local governments that extend and receive nonexchange financial guarantees. Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The provisions of this statement are effective for periods beginning after June 15, 2013, and would be applied retroactively. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

This communication is intended solely for the information and use of management, the Mayor, City Council, the Audit Committee and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 9, 2013



The City of
OKLAHOMA CITY
DEPARTMENT OF FINANCE

December 9, 2013

BKD, LLP
Certified Public Accountants
211 N. Robinson Avenue, Suite 600
Oklahoma City, OK 73102

We are providing this letter in connection with your audits of the City of Oklahoma City, Oklahoma (the City) financial statements as of and for the year ended June 30, 2013, and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended June 30, 2013. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our audit contract dated June 11, 2013, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the single audit and related notes referred to above, which you prepared in connection with your audit. We acknowledge that we are responsible for the fair presentation of the single and related notes.

5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of meetings of the governing body held through the date of this letter.
 - (e) All significant contracts and grants.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets, liabilities or net assets.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, customers, regulators, suppliers or others.
11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an

affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

12. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial statements.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Restrictions on cash balances or compensating balance agreements.
 - (g) Guarantees, whether written or oral, under which the City is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
15. The Oklahoma City Risk Management, the Oklahoma City Municipal Authority's OCMFA Services funds and the Oklahoma City Post Employment Benefit Trust administer the risk management activities of the City and certain component units. These funds account for the risk financing activities and constitute a transfer of risk. For property and liability claims the City and certain components have no right of recovery under the coverage provided by the Oklahoma City Risk Management and the Oklahoma City Municipal Authority's OCMFA Services funds until such time as the costs have been incurred by the City or certain components to repair or replace the damaged assets.


16. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Reducing obsolete or excess inventories to estimated net realizable value.
 - (c) Sales commitments, including those unable to be fulfilled.
 - (d) Purchase commitments in excess of normal requirements or above prevailing market prices.
17. Except as disclosed in the financial statements, we have:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
18. Except for the matters disclosed in the financial statements, we have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
19. With regard to deposit and investment activities:
 - (a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.
 - (b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - (c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
20. With respect to any nonattest services you have provided us during the year, including drafting the single audit report and related notes:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

- (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - (d) We have evaluated the adequacy of the services performed and any findings that resulted.
- 21. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
 - 22. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
 - 23. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
 - 24. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
 - 25. We have a process to track the status of audit findings and recommendations.
 - 26. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.
 - 27. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.
 - 28. With regard to federal awards programs:
 - (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.

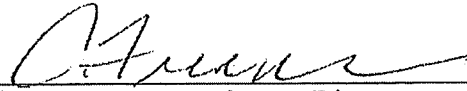
- (b) We have identified the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; Davis-Bacon Act; eligibility; equipment and real property management; matching, level of effort, earmarking; period of availability of federal funds; procurement and suspension and debarment; program income; real property acquisition and relocation assistance; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
- (c) We are responsible to understand and comply with the requirements of laws, regulations, contracts and grants applicable to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the City has complied with all applicable compliance requirements.
- (d) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with requirements of laws, regulations, contracts and grants applicable to those programs.
- (e) We have made available to you all contracts and grant agreements, including any amendments, and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
- (f) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
- (g) Amounts claimed or used for matching were determined in accordance with the applicable OMB Circular regarding cost principles.
- (h) Except as described in the schedule of findings and questioned costs, we have monitored any subrecipients to determine that they have expended federal awards in accordance with applicable laws and regulations and have met the audit and other requirements of OMB Circular A-133.
- (i) We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.

- (j) We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.
 - (k) We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
 - (l) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.
 - (m) Except as described in the schedule of findings and questioned costs, we are in agreement with the findings contained therein and our views regarding any disagreements with such findings are consistent, as of the date of this letter, with the description thereof in that schedule.
 - (n) We are responsible for taking corrective action on any audit findings.
 - (o) The summary schedule of prior audit findings correctly states the status of all audit findings included in the OMB Circular A-133 section of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.
29. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, budgetary comparisons, modified approach to infrastructure and pension information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
30. With regard to supplementary information:
- (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

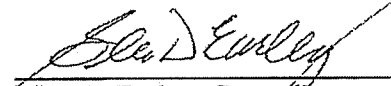
- (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior.
- (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
- (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.



James D. Couch, City Manager
City of Oklahoma City



Craig A. Freeman, Finance Director
City of Oklahoma City



Glen D. Earley, Controller
City of Oklahoma City

City of Oklahoma City
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Governmental Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	1,018,879		1,018,879	
Non-Current Assets	1,564,823	(3,312)	1,561,511	-0.21%
Current Liabilities	(151,361)		(151,361)	
Non-Current Liabilities	(775,782)		(775,782)	
Current Ratio	6.731		6.731	
Total Assets	2,583,702	(3,312)	2,580,390	-0.13%
Invest in CA, net of Debt	(888,639)		(888,639)	
Restricted Net Assets	(598,236)		(598,236)	
Unrestricted Net Assets	(169,684)		(169,684)	
Total Net Position	(1,656,559)		(1,656,559)	
General Revenues & Transfers	(577,106)		(577,106)	
Net Program Revenues/ Expenses	423,716	1,800	425,516	0.42%
Change in Net Position	(153,390)	1,800	(151,590)	-1.17%

City of Oklahoma City
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Discretely Presented Component Units (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	475,604		475,604	
Non-Current Assets	1,952,751	(1,019)	1,951,732	-0.05%
Current Liabilities	(136,707)		(136,707)	
Non-Current Liabilities	(842,468)		(842,468)	
Current Ratio	3.479		3.479	
Total Assets	2,428,355	(1,019)	2,427,336	-0.04%
Invest in CA, net of Debt	(968,601)	(1,019)	(969,620)	0.11%
Restricted Net Assets	(319,026)		(319,026)	
Unrestricted Net Assets	(161,553)	1,019	(160,534)	-0.63%
Total Net Position	(1,449,180)		(1,449,180)	
General Revenues & Transfers	(12,517)		(12,517)	
Net Program Revenues/ Expenses	12,116	(2,087)	10,029	-17.23%
Change in Net Position	(401)	(2,087)	(2,488)	520.45%

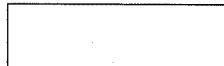
City of Oklahoma City
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

General Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	155,229		155,229	
Total Liabilities	(17,623)		(17,623)	
Reserved Fund Balance	(11,770)		(11,770)	
Unreserved Fund Balance	(125,836)		(125,836)	
Total Fund Balance	(137,606)		(137,606)	
Revenues	(387,421)	1,800	(385,621)	-0.46%
Expenditures	352,858	(564)	352,294	-0.16%
Net Change in Fund Balances	(21,519)	1,236	(20,283)	-5.74%



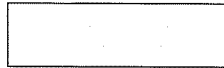
City of Oklahoma City
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Grants Management

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	30,577		30,577	
Total Liabilities	(30,761)		(30,761)	
Reserved Fund Balance	(15,456)		(15,456)	
Unreserved Fund Balance	15,640		15,640	
Total Fund Balance	184		184	
Revenues	(23,649)		(23,649)	
Expenditures	30,509	(81)	30,428	-0.27%
Change in Fund Balance	4,598	(81)	4,517	-1.76%



Client: City of Oklahoma City
 Period Ending: June 30, 2013

Grants Management

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) Projected (P)	Assets		Liabilities		Revenues		Expenditures		Fund Balance (Beg. of year)		Reserved Fund Balance		Unreserved Fund Balance		Total Fund Balance		Net Effect on Following Year			
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
Items improperly excluded from accounts payable in prior year		F	0	0	0	0	0	(81)	81	0	0	0	0	0	0	0	0	0	0	0	0	
	Expenses							(81)														
	Net Assets - Beginning of Year								81												N/A	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	(81)	81	0	0	0	0	0	0	0	0	0	0	0	0	
Total passed adjustments			0		0		0		(81)		81		0		0		0		0		0	
											Impact on Change in Fund Balance		(81)									
											Impact on Net Assets		0									

City of Oklahoma City
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Court Admin & Training

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	1,232		1,232	
Total Liabilities	(310)		(310)	
Reserved Fund Balance	(922)		(922)	
Unreserved Fund Balance				
Total Fund Balance	(922)		(922)	
Revenues	(2,143)	150	(1,993)	-7.00%
Expenditures	2,025		2,025	
Change in Fund Balance	(118)	150	32	-127.12%



Client: City of Oklahoma City
 Period Ending: June 30, 2013

Court Admin & Training

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) Projected (P)	Assets		Liabilities		Revenues		Expenditures		Fund Balance (Beg. of year)		Reserved Fund Balance		Unreserved Fund Balance		Total Fund Balance		Net Effect on Following Year Change in Fund Balance			
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
Court fines and fees for 6/30/2012 not accrued as a receivable in the prior year.		J	0	0			150	0			(150)			0	0					0	0	
	Net Position										(150)											
	Revenues					150																
			0	0			0	0			0			0	0					0	0	
			0	0			0	0			0			0	0					0	0	
			0	0			0	0			0			0	0					0	0	
Total passed adjustments			0	0			150	0			(150)			0	0					0	0	

Impact on Change in Fund Balance 150

Impact on Net Assets 0

**City of Oklahoma City
ATTACHMENT**

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Stormwater

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	10,481		10,481	
Non-Current Assets	51,016		51,016	
Current Liabilities	(1,376)		(1,376)	
Non-Current Liabilities	(1,842)		(1,842)	
Current Ratio	7.617		7.617	
Total Assets	61,497		61,497	
Invest in CA, net of Debt	(50,662)	34	(50,628)	-0.07%
Restricted Net Assets	(8)		(8)	
Unrestricted Net Assets	(7,609)	(34)	(7,643)	0.45%
Total Net Assets	(58,279)		(58,279)	
Operating Revenues	(14,813)		(14,813)	
Operating Expenses	17,198		17,198	
Nonoperating Revenues (Exp)	(35)		(35)	
Change in Net Assets	2,840		2,840	

Client: City of Oklahoma City
 Period Ending: June 30, 2013

Stormwater

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F) Judgmental (J) Projected (P)	Assets				Liabilities				Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating Revenues (Exp) DR (CR)	Net Assets (Beg. of year) DR (CR)	Invest in CA, net of Debt DR (CR)	Restricted Net Assets DR (CR)	Unrestricted Net Assets DR (CR)	Net Effect on Following Year	
			Current		Non-Current		Current		Non-Current									Change in Net	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)								Assets	Net Assets
Adjustment between classifications of Net Assets to account for capital asset related liabilities effect on net assets		F	0	0	0	0	0	0	0	0	0	0	0	34	0	(34)	0	0	
	Net Investment in Capital Assets																	N/A	N/A
	Unrestricted Net Assets															(34)			
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	34	0	(34)	0	0	
Total passed adjustments			0	0	0	0	0	0	0	0	0	0	0	34	0	(34)	0	0	
			Impact on Change in Net Assets										0						
			Impact on Net Assets										0						

City of Oklahoma City
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Print Shop

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	334		334	
Non-Current Assets	119		119	
Current Liabilities	(53)		(53)	
Non-Current Liabilities	(102)		(102)	
Current Ratio	6.302		6.302	
Total Assets	453		453	
Invest in CA, net of Debt	(96)	13	(83)	-13.54%
Restricted Net Assets				
Unrestricted Net Assets	(202)	(13)	(215)	6.44%
Total Net Assets	(298)		(298)	
Operating Revenues	(792)		(792)	
Operating Expenses	801		801	
Nonoperating Revenues (Exp)	3		3	
Change in Net Assets	12		12	

Client: City of Oklahoma City
 Period Ending: June 30, 2013

Print Shop

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) Projected (P)	Assets				Liabilities				Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating Revenues (Exp) DR (CR)	Net Assets (Beg. of year) DR (CR)	Invest in CA, net of Debt DR (CR)	Restricted Net Assets DR (CR)	Unrestricted Net Assets DR (CR)	Net Effect on Following Year	
			Current		Non-Current		Current		Non-Current									Change in Net	
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)								Assets	Net Assets
Adjustment between classifications of Net Assets to account for capital asset related liabilities effect on net assets		F	0	0	0	0	0	0	0	0	0	0	0	13	0	(13)	0	0	
Net Investment in Capital Assets														13		(13)			
Unrestricted Net Assets																			
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	13	0	(13)	0	0	
Total passed adjustments			0	0	0	0	0	0	0	0	0	0	0	13	0	(13)	0	0	
													Impact on Change in Net Assets		0				
													Impact on Net Assets		0				

City of Oklahoma City
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Information Technology

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	5,434		5,434	
Non-Current Assets	(3,781)		(3,781)	
Current Liabilities	(1,122)		(1,122)	
Non-Current Liabilities	2,959		2,959	
Current Ratio	4.843		4.843	
Total Assets	1,653		1,653	
Invest in CA, net of Debt	(112)	20	(92)	-17.86%
Restricted Net Assets				
Unrestricted Net Assets	(3,378)	(20)	(3,398)	0.59%
Total Net Assets	(3,490)		(3,490)	
Operating Revenues	(20,242)		(20,242)	
Operating Expenses	17,387		17,387	
Nonoperating Revenues (Exp)	(59)		(59)	
Change in Net Assets	(1,252)		(1,252)	

Client: City of Oklahoma City
 Period Ending: June 30, 2013

Information Technology

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) Projected (P)	Assets				Liabilities				Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating Revenues (Exp) DR (CR)	Net Assets (Beg. of year) DR (CR)	Invest in CA, net of Debt DR (CR)	Restricted Net Assets DR (CR)	Unrestricted Net Assets DR (CR)	Net Effect on Following Year Change in Net	
			Current		Non-Current		Current		Non-Current									Assets	Net Assets
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)								DR	(CR)
Adjustment between classifications of Net Assets to account for capital asset related liabilities effect on net assets		F	0	0	0	0	0	0	0	0	0	0	0	20	0	(20)	0	0	
Net Investment in Capital Assets														20		(20)			
Unrestricted Net Assets																			
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
			0	0	0	0	0	0	0	0	0	0	0	20	0	(20)	0	0	
Total passed adjustments			0	0	0	0	0	0	0	0	0	0	0	20	0	(20)	0	0	
													Impact on Change in Net Assets		0				
													Impact on Net Assets		0				

**City of Oklahoma City
ATTACHMENT**

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

Fleet Services

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	2,062		2,062	
Non-Current Assets	1,063		1,063	
Current Liabilities	(1,399)		(1,399)	
Non-Current Liabilities	(1,504)		(1,504)	
Current Ratio	1.474		1.474	
Total Assets	3,125		3,125	
Invest in CA, net of Debt	(1,058)	6	(1,052)	-0.57%
Restricted Net Assets				
Unrestricted Net Assets	836	(6)	830	-0.72%
Total Net Assets	(222)		(222)	
Operating Revenues	(9,305)		(9,305)	
Operating Expenses	9,943		9,943	
Nonoperating Revenues (Exp)	(45)		(45)	
Change in Net Assets	593		593	

Client: City of Oklahoma City
 Period Ending: June 30, 2013

Fleet Services
 SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) Projected (P)	Assets				Liabilities				Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating Revenues (Exp) DR (CR)	Net Assets (Beg. of year) DR (CR)	Invest in CA, net of Debt DR (CR)	Restricted Net Assets DR (CR)	Unrestricted Net Assets DR (CR)	Net Effect on Following Year		Post to AWP305? Yes (Y) or No (N)
			Current		Non-Current		Current		Non-Current									Change in Net		
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)								Assets	Net Assets	
Adjustment between classifications of Net Assets to account for capital asset related liabilities effect on net assets		F	0	0	0	0	0	0	0	0	0	0	6	0	(6)	0	0	Y		
Net Investment in Capital Assets													6		(6)					
Unrestricted Net Assets																				
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Total passed adjustments			0	0	0	0	0	0	0	0	0	0	6	0	(6)	0	0			
			Impact on Change in Net Assets										0							
			Impact on Net Assets										0							