

COUNTY AUDIT

# LINCOLN COUNTY

For the fiscal year ended June 30, 2011



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



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

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

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



# Oklahoma State Auditor & Inspector

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

April 7, 2014

TO THE CITIZENS OF  
LINCOLN COUNTY, OKLAHOMA

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

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

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

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

Sincerely,

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

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

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

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

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INTERNAL CONTROL AND COMPLIANCE SECTION

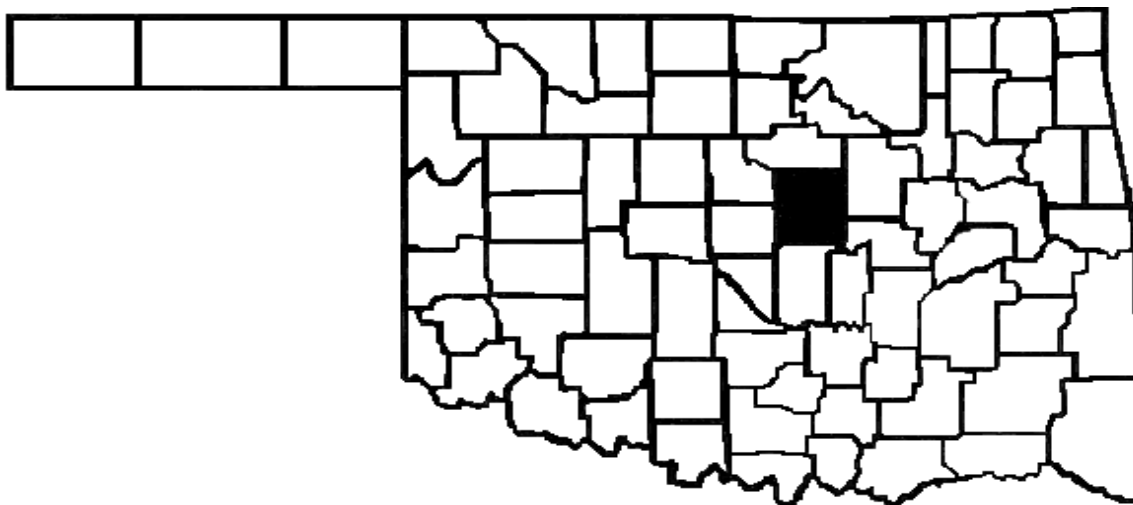
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PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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Organized October 1, 1891, and named by popular vote for President Abraham Lincoln, the county was originally a part of the Creek Nation. As a result of the Treaty of 1866, however, the area was ceded by the Creeks and settled by the Sac and Fox, Iowa, Kickapoo, and Pottawatomie Indians.

Cattle trails began to appear after the Civil War, and the West Shawnee Trail passed through the area as Texas herds were driven to Kansas. After the Cherokee Commission secured allotment of these lands, they were opened September 22, 1891, with 20,000 homesteaders participating in this land run. Although cotton was the principal crop in the early days, castor beans and broom corn were also money crops. By 1915, oil was discovered near Chandler, followed by the discovery of the Stroud Field in 1923 and later the Davenport oil boom.

Annual county celebrations include an Ice Cream Festival in June and a July 4<sup>th</sup> Celebration both in Chandler; Nettie Davenport Day held in Davenport; the International Brick Throwing Contest held in Stroud in July; and the Kolache Festival held in Prague each May. An Indian Summer Arts Festival on the last Saturday in September is held in Chandler.

The Lincoln County Historical Society published Lincoln County, Oklahoma History, in 1988. For more information, call the county clerk's office at 405/258-1264 or the Museum of Pioneer History at 405/258-2425.

County Seat – Chandler

Area – 965.62 Square Miles

County Population – 32,199  
(2009 est.)

Farms – 2,300

Land in Farms – 487,858 Acres

Primary Source: Oklahoma Almanac 2011-2012

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

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**Board of County Commissioners**

District 1 – Don Sporleder  
District 2 – Ricky Taylor  
District 3 – Lee Doolen

**County Assessor**

Randy Wintz

**County Clerk**

Debbie Greenfield

**County Sheriff**

Charlie Dougherty

**County Treasurer**

Kathy Sherman

**Court Clerk**

Cindy Kirby

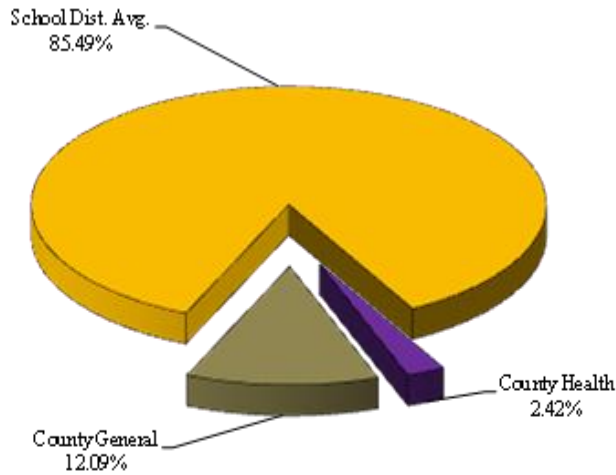
**District Attorney**

Richard Smothermon



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

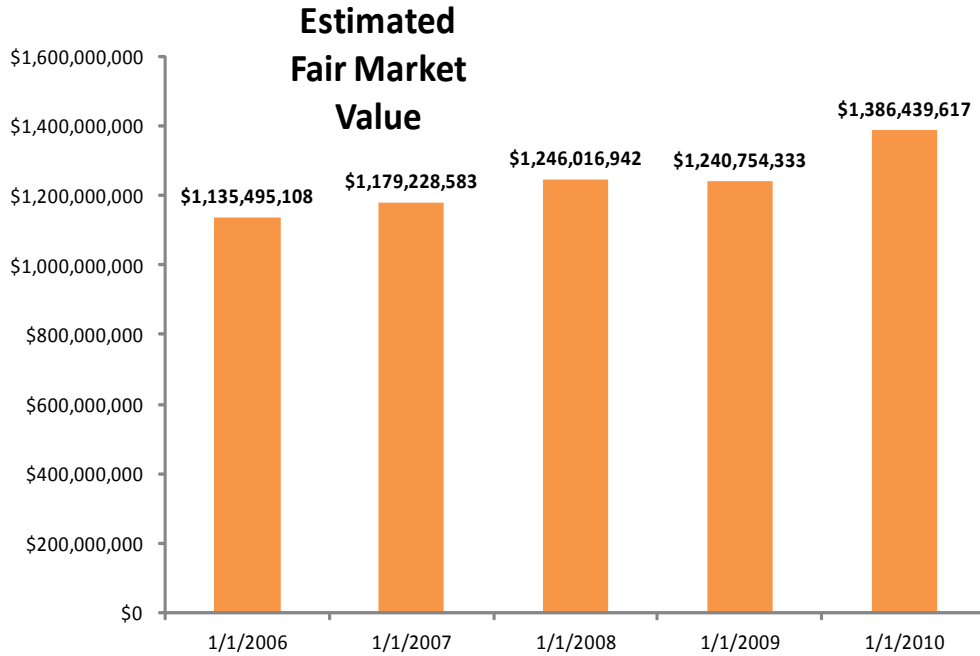
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the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



County-Wide Millages		School District Millages							
				Gen.	Bldg.	Skg.	Career Tech	Common	Total
County General	10.36								
County Health	2.59								
		Chandler	I-1	36.29	5.18	15.36	15.58	4.14	76.55
		Davenport	I-3	35.96	5.14	25.82	13.33	4.14	84.39
		Wellston (Lincoln)	I-4	36.10	5.16	14.52	15.58	4.14	75.50
		Wellston (Logan)	I-4	36.76	5.25	14.52	15.58	4.14	76.25
		Stroud	I-54	35.84	5.12	15.54	13.33	4.14	73.97
		Meeker (Lincoln)	I-95	36.55	5.22	15.14	15.58	4.14	76.63
		Meeker (Pott)	I-95	36.28	5.18	15.14	15.58	4.14	76.32
		Prague (Lincoln)	I-103	36.40	5.20	24.01	15.58	4.14	85.33
		Prague (Pott)	I-103	36.62	5.23	24.01	15.58	4.14	85.58
		Carney	I-105	36.43	5.20	27.64	15.76	4.14	89.17
		Agra	I-134	36.91	5.27	25.80	15.76	4.14	87.88
		White Rock	D-5	36.75	5.25	8.84	15.58	4.14	70.56
		Perkins-Tryon	I-56	37.00	5.29	20.91	15.76	4.14	83.10
		Cushing	I-67	36.13	5.16	5.65	13.33	4.14	64.41
		Luther	SD#3	35.97	5.14	13.69	16.04	4.14	74.98
		Harrah	SD#7	36.11	5.16	18.97	16.04	4.14	80.42
		Oak Grove	C-104	36.23	5.18	3.80	13.33	4.14	62.68
		McCloud	I-1	36.39	5.20	6.94	15.58	4.14	68.25
		Paden	I-14	35.00	5.00	-	15.58	4.14	59.72

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

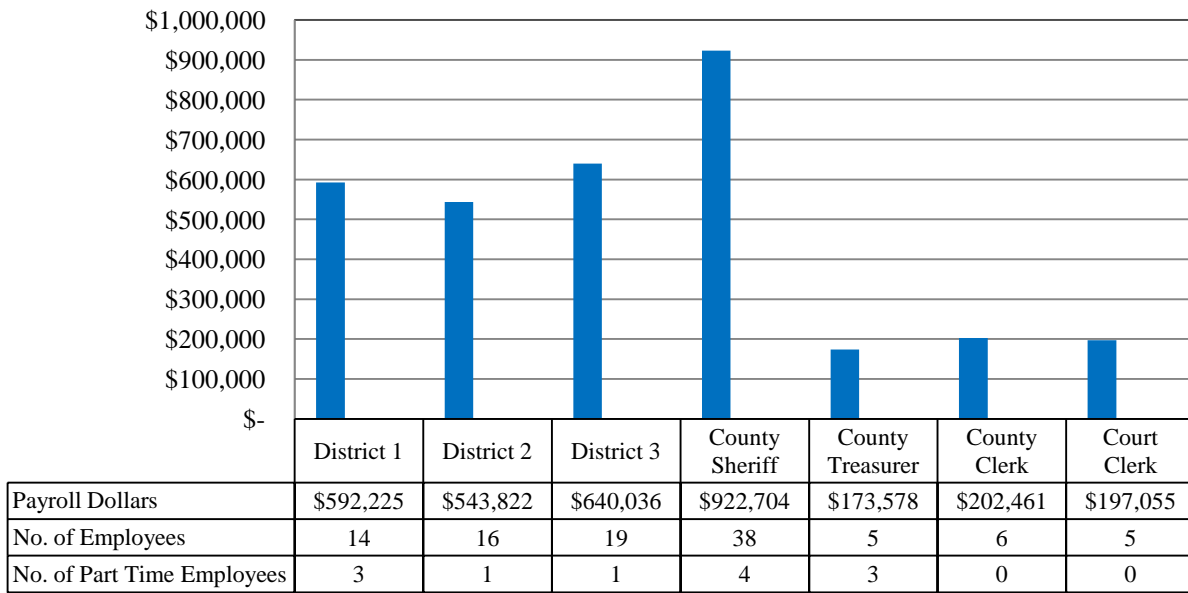
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2010	\$30,759,185	\$44,796,383	\$100,166,243	\$9,349,057	\$166,372,754	\$1,386,439,617
1/1/2009	\$28,621,111	\$33,962,339	\$95,830,653	\$9,148,087	\$149,266,016	\$1,240,754,333
1/1/2008	\$28,845,050	\$32,884,185	\$90,813,370	\$9,058,440	\$143,484,165	\$1,246,016,942
1/1/2007	\$24,011,575	\$31,018,295	\$86,983,060	\$8,937,516	\$133,075,414	\$1,179,228,583
1/1/2006	\$19,511,308	\$32,687,107	\$86,168,290	\$9,306,581	\$129,060,124	\$1,135,495,108



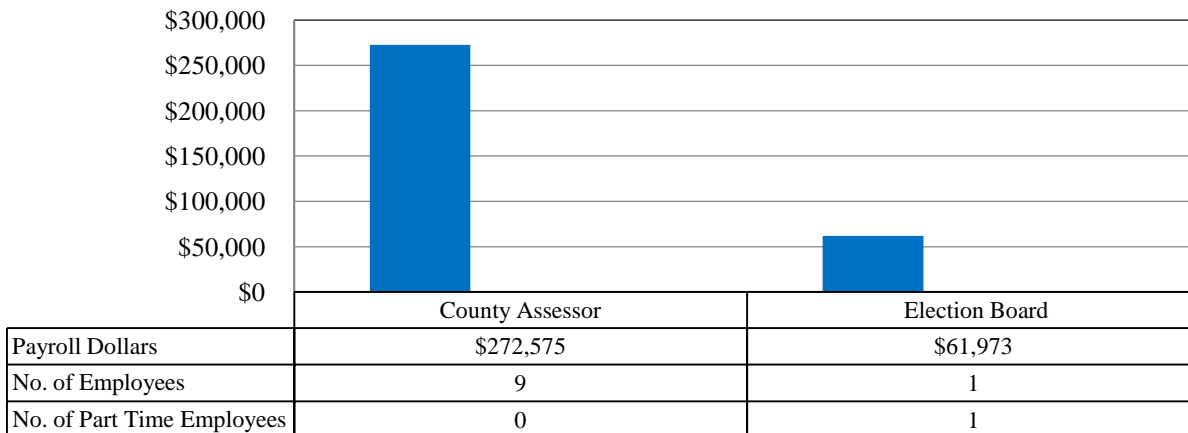
**LINCOLN COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

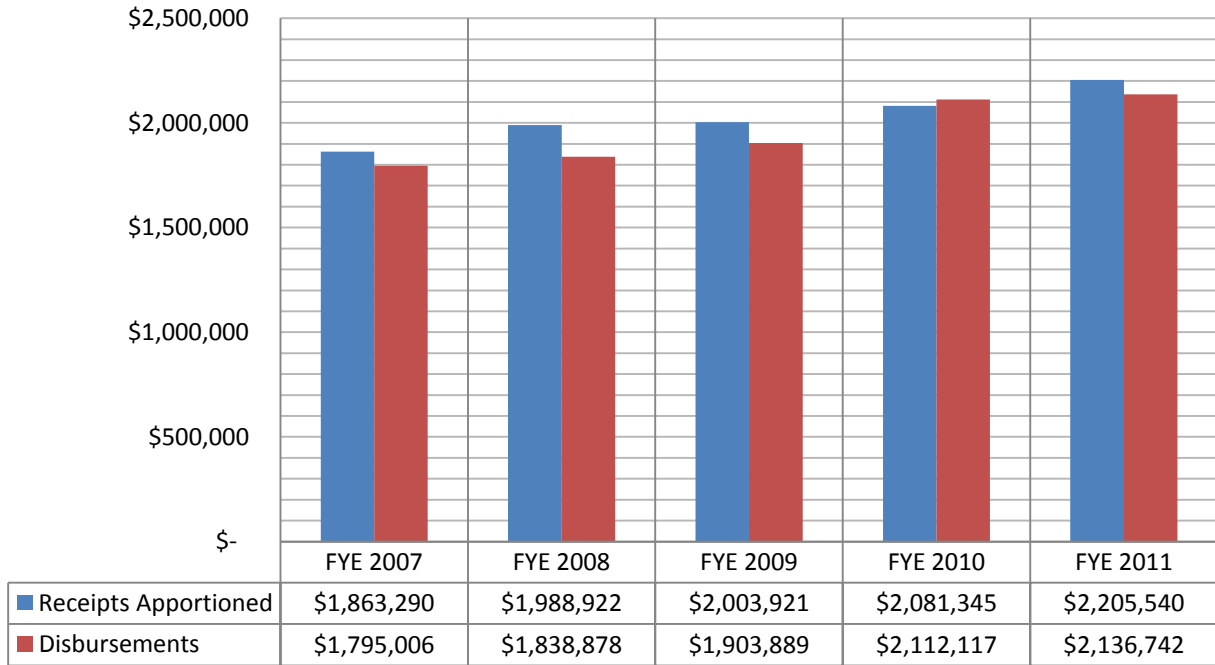


**LINCOLN COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County General Fund

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

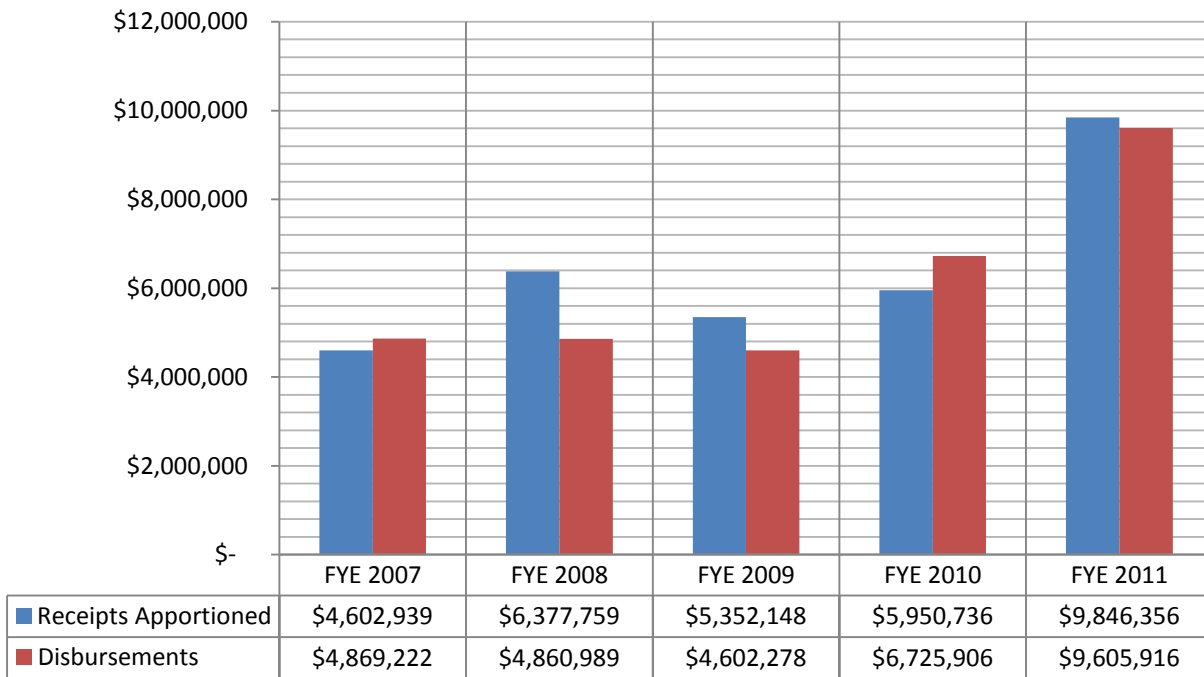


**LINCOLN COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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## County Highway Fund

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



**FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405-521-3495 • Fax: 405-521-3426

## Independent Auditor's Report

TO THE OFFICERS OF  
LINCOLN COUNTY, OKLAHOMA

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2011, listed in the table of contents as the financial statement. This financial statement is the responsibility of Lincoln County's management. Our responsibility is to express an opinion on the combined total—all county funds on this financial statement based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lincoln County as of June 30, 2011, or changes in its financial position for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the combined total—all county funds on the regulatory basis Statement of Receipts, Disbursements and Changes in Cash Balances and, in our opinion, is fairly stated, in all material respects, in relation to the combined total—all county funds. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

March 31, 2014



**REGULATORY BASIS FINANCIAL STATEMENT**

**LINCOLN COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Combining Information:				
Major Funds:				
General Fund	\$ 445,746	\$ 2,205,540	\$ 2,136,742	\$ 514,544
Highway Cash Fund	1,538,108	9,846,356	9,605,916	1,778,548
County Health	361,206	481,924	377,708	465,422
CSSP Boarding of Prisoners	182,110	200,038	336,484	45,664
Sheriff Service Fee	119,998	347,284	283,917	183,365
County Sales Tax	1,619,095	2,209,105	2,010,275	1,817,925
CBRIF-105	-	801,811	99,214	702,597
County Use Tax	401,269	428,909	171,597	658,581
Resale Property	506,238	214,272	122,387	598,123
Remaining Aggregate Funds	341,478	204,430	241,024	304,884
<b>Combined Total - All County Funds</b>	<b>\$ 5,515,248</b>	<b>\$ 16,939,669</b>	<b>\$ 15,385,264</b>	<b>\$ 7,069,653</b>
<b>As restated</b>				

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

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

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Lincoln 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 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:

General Fund – revenues are from ad valorem, officer's fees, interest earnings, and miscellaneous collections of the County. Disbursements are for the general operations of the County.

Highway Cash Fund – revenues are from state imposed fuel taxes and disbursements are for the maintenance and construction of county roads and bridges.

County Health – revenues are from ad valorem taxes, miscellaneous fees charged by the health department, and state and federal funds. Disbursements are for the operation of the county health department.

CSSP Boarding of Prisoners – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes, and other counties. This money can be used for jail operating expenses.

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

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Sheriff Service Fee – revenues are from fees charged for serving summons and notices. Disbursements are for any lawful expense of the Sheriff’s office.

County Sales Tax – revenues from interest, county one cent sales tax from Oklahoma Tax Commission and disbursements are for any lawful expenses of the departments receiving sales tax money per Lincoln County voters.

CBRIF-105 – revenues are from state imposed taxes, Oklahoma Department of Transportation disbursements to counties, and bank interest. Disbursements are for road and bridge projects.

County Use Tax – revenues are from State of Oklahoma Use Tax and disbursements are for special projects.

Resale Property – revenues are from fees and penalties collected and from resale of county owned properties acquired through the annual sale and disbursements are for personal services, maintenance and operations, and capital outlay.

**C. Basis of Accounting**

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

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

**D. Budget**

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

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

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**E. Cash and Investments**

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

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

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

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

**2. Ad Valorem Tax**

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

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

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

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

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

**B. Other Post Employment Benefits (OPEB)**

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

The voters of Lincoln County approved a one percent (1%) sales tax through a special election on February 5, 2008 that became effective January 1, 2009. This sales tax has a duration of five years. The sales tax was established to provide revenue for the following: County Road and Bridge Improvements-59%, Lincoln County Jail-13%, Lincoln County Extension-6%, with a cap of \$120,000, Senior Nutrition Sites-6%, Lincoln County Fire Departments-8.5%, Lincoln County Free Fair-2%, Economic Development-2.5%, Emergency Management and Lincoln County Safety Office-2%, with a cap of \$25,000, and Lincoln County Courthouse Improvement Fund-1%. Money over capped amounts will go to the Lincoln Courthouse Capital Outlay Fund. These funds are accounted for in the County Sales Tax fund.

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

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**E. Reclassification of Funds**

Due to the reclassification of funds, the beginning balance as reported is different than the June 30, 2010 ending balance. The difference is due to five funds that were classified as trust and agency that should have been county funds resulting in an increase of \$4,943.

Prior year ending balance, as reported	\$5,510,305
Funds moved to County Funds	<u>4,943</u>
Current year beginning balance, as restated	<u>\$5,515,248</u>

**OTHER SUPPLEMENTARY INFORMATION**



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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 445,746	\$ 445,746	\$ -
Less: Prior Year Outstanding Warrants	(154,978)	(154,978)	-
Less: Prior Year Encumbrances	(38,143)	(38,143)	-
Beginning Cash Balances, Budgetary Basis	<u>252,625</u>	<u>252,625</u>	<u>-</u>
Receipts:			
Ad Valorem Taxes	1,567,644	1,666,185	98,541
Charges for Services	152,987	168,685	15,698
Intergovernmental Revenues	285,802	291,673	5,871
Miscellaneous Revenues	46,560	78,997	32,437
Total Receipts, Budgetary Basis	<u>2,052,993</u>	<u>2,205,540</u>	<u>152,547</u>
Expenditures:			
District Attorney	7,000	7,000	-
County Sheriff	596,224	585,967	10,257
County Treasurer	139,743	139,156	587
County Clerk	207,477	207,261	216
Court Clerk	136,383	136,355	28
County Assessor	147,417	147,042	375
Revaluation of Real Property	250,687	208,794	41,893
General Government	686,738	610,451	76,287
Excise-Equalization Board	2,700	2,558	142
County Election Board	70,914	70,914	-
Emergency Management	28,771	28,409	362
County Audit Budget Account	31,564	-	31,564
Total Expenditures, Budgetary Basis	<u>2,305,618</u>	<u>2,143,907</u>	<u>161,711</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	314,258	<u>\$ 314,258</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		182,425	
Add: Current Year Encumbrances		<u>17,861</u>	
Ending Cash Balance		<u>\$ 514,544</u>	

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

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 361,206	\$ 361,206	\$ -
Less: Prior Year Outstanding Warrants	(22,963)	(22,963)	-
Less: Prior Year Encumbrances	(37,857)	(37,857)	-
Beginning Cash Balances, Budgetary Basis	300,386	300,386	-
Receipts:			
Ad Valorem Taxes	391,732	416,546	24,814
Charges for Services	65,279	65,279	-
Intergovernmental Revenue	-	99	99
Total Receipts, Budgetary Basis	457,011	481,924	24,913
Expenditures:			
County Heath Budget Account	757,397	385,536	371,861
Total Expenditures, Budgetary Basis	757,397	385,536	371,861
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	396,774	\$ 396,774
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		38,237	
Add: Current Year Outstanding Warrants		30,411	
Ending Cash Balance		\$ 465,422	

**LINCOLN COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Beginning Cash Balances July 1, 2010	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2011
Remaining Aggregate Funds:				
County Clerk Preservation Fund	\$ 95,120	\$ 46,275	\$ 28,513	\$ 112,882
COEED	-	30,000	30,000	-
CDBG Grant	3,000	24,657	27,657	-
County Clerk Lien Fee	117,809	21,970	20,594	119,185
Free Fair	26,321	19,163	23,230	22,254
Court House Security	26,178	20,420	44,742	1,856
Sheriff Board-Bills	14,957	12,745	16,751	10,951
Sheriff Dispatching	28,062	11,440	31,459	8,043
Treasurer Certification Fees	13,551	5,955	5,088	14,418
Assessor Revolving Fund	10,096	5,498	9,336	6,258
Sheriff Commissary	-	4,505	3,305	1,200
Flood Plain	568	1,535	175	1,928
Bridge Fund 103	-	174	174	-
Trash Dumping Fund	500	93	-	593
County Sinking	295	-	-	295
Visual Inspection	40	-	-	40
Jail Phone Fee Deposit	1,000	-	-	1,000
Civil Defense	2,871	-	-	2,871
Assessor Hardware Upgrades	479	-	-	479
Community Service Sentencing Program	221	-	-	221
Kids First Grant	130	-	-	130
Emergency Management Donation Fund	280	-	-	280
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 341,478</b>	<b>\$ 204,430</b>	<b>\$ 241,024</b>	<b>\$ 304,884</b>

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

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**1. Budgetary Schedules**

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

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

**2. Remaining County Funds**

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

County Clerk Preservation Fund – revenues are from fees charged by the County Clerk for filing documents and disbursements are for preserving books and county records.

COEED – revenue through the Central Oklahoma Economic Development District set up for administration expenses for administering CDBG grants awarded to the County.

CDBG Grant – revenues are awarded to the County through Chamber of Commerce grants for special projects.

County Clerk Lien Fee – revenues are from a fee charged by the County Clerk for filing liens. Disbursements are for any lawful expense of the County Clerk's office.

Free Fair – revenues are from rental of property, carnival proceeds, donations, and entry fees. Disbursements are for salaries and fair expenses.

Court House Security – revenues are from the Court Clerk's office for filing fees and disbursements are for a deputy's salary and security equipment to provide court house security.

Sheriff Board-Bills – revenues are from contracted towns for housing prisoners. Disbursements are for vendor invoices for jail and any lawful expense of the Sheriff's office.

Sheriff Dispatching – revenues are from contracted towns for dispatching and disbursements are for payroll and postage.

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

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Treasurer Certification Fees – revenues are from mortgage certification fees and disbursements are for maintenance and operations.

Assessor Revolving Fund – revenues are from copies and maps and is disbursed for computer hardware and software.

Sheriff Commissary – revenues are from the sale of commissary items and disbursements are for administrative needs of the jail.

Flood Plain – revenues are from road crossing and flood plain inspections to determine if road crossing is in a flood plain and disbursements are for maintenance and operations.

Bridge Fund 103 – revenues are from state imposed taxes and Oklahoma Department of Transportation disbursements to counties and disbursements are for road and bridge projects.

Trash Dumping Fund – revenue is from a yearly state grant and disbursements are for trash cop salaries.

County Sinking – revenues are from ad valorem taxes and disbursements are to pay county indebtedness.

Visual Inspection – accounts for the collection of fees from all entities receiving ad valorem taxes and disbursements are for the purpose of revaluation of all county property.

Jail Phone Fee Deposit – revenue is from City Tele-Coin, Inc. and disbursements are for any lawful expense of the Sheriff's office.

Civil Defense – revenue is from the Oklahoma Office of Emergency Management and disbursements are for maintenance and operations.

Assessor Hardware Upgrades – accounts for monies received from the legislature and disbursements are for computer and software upgrades in 2000.

Community Service Sentencing Program – revenue is from the State of Oklahoma for persons performing community service and disbursements are for any lawful expenditure of the Sheriff's office.

Kids First Grant – revenue is from a grant that must be applied for yearly for child abuse prevention and disbursements are for maintenance and operations.

Emergency Management Donation Fund – revenue is from businesses and individuals making donations for equipment and disbursements are for specialized equipment.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# Oklahoma State Auditor & Inspector

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## **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  
LINCOLN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2011, which comprises Lincoln County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 31, 2014. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2011, on the basis of accounting prescribed by Oklahoma state law, described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. *2011-1, 2011-3, 2011-5 and 2011-6*. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-1.

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

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

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



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

March 31, 2014



LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**Finding – 2011-1 – Purchases Not Timely Encumbered and Noncompliance with State Statute**

**Condition:** While testing seventy-three disbursements, we noted thirteen were not properly encumbered and one did not have a receiving report.

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

**Effect of Condition:** This condition resulted noncompliance with state statute, laws, regulations or legislative intent, and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County adhere to state purchasing guidelines. Purchase orders should be encumbered before goods or services are ordered. Cash voucher claims should have invoices attached and should contain a receiving report that has been signed.

**Management Response:**

**County Clerk:** This has been corrected. The county is adhering to the state purchasing guidelines and purchase orders are being encumbered before receiving goods or services.

**Criteria:** Title 19 O.S. § 1505 prescribes the procedures established for the requisition, purchase, lease-purchase, rental, and receipt of supplies, material, and equipment for maintenance, operation, and capital expenditures of county government.

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

**Finding – 2011-3 – Segregation of Duties Over the Payroll Process**

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

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

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks 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 approval of accounting functions.

**Management Response:**

**County Clerk:** Due to our small office and few employees, it is very hard to have people in double duties. To help with the segregation of payroll duties, the County Clerk will verify all payroll and initial verification reports or warrant registers. The payroll clerk is not the only one that has access to running checks.

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

**Finding – 2011-5 – Inadequate Internal Controls Regarding Vehicle Usage**

**Condition:** We noted two employees that are using county vehicles for commuting purposes. The County's Employee Handbook allows for this but requires the taxable fringe benefit to be included on the employees' tax forms. The County did not include this information on the employees' tax forms for the audit period.

**Cause of Condition:** The County has not implemented monitoring procedures to ensure commuter mileage is accurately reported on employees' tax forms and that employees are in compliance with the County's written policies.

**Effect of Condition:** The County is not in compliance with the County's Employee Handbook and is not in compliance with federal tax laws.

**Recommendation:** OSAI recommends the County adhere to the County's Employee Handbook regarding vehicle usage and consult with the Internal Revenue Service and the District Attorney to ensure compliance with all applicable laws and regulations.

**Management Response:**

**County Sheriff:** In response to the travel policy, we now only have one employee that has a county owned vehicle that is driven from home to work and that employee will submit a trip and mileage report of vehicle with the monthly time sheet.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Criteria:** The County’s Employee Handbook regarding vehicle usage states in part: “...employees may be instructed by the appropriate elected official to drive a county-owned vehicle to and from the employee’s home to the employee’s regular place of work. Although, such use may be proper under the Oklahoma State Constitution (under appropriate circumstances), such use may still be considered as a taxable fringe benefit by the IRS Code...”

Internal Revenue Service Publication 463, states in part, “...your tax home is your regular place of business or post of duty, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located...”

**Finding – 2011-6 – Segregation of Duties Over the Purchasing Process**

**Condition:** Upon inquiry and observation of the County’s purchasing process, it was noted that the purchasing agent prepares purchase orders, encumbers purchase orders, reviews the purchase order for accuracy, prepares the warrants, maintains ledgers, and distributes warrants.

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

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

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, 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 approval of accounting functions.

Further, the duties of encumbering funds and posting to the ledgers should be separated from the printing and distribution of payments.

**Management Response:**

**County Clerk:** Due to our small office and few employees, it is very hard to have people in double duties. To help with the segregation in paying warrants, the County Clerk will verify all warrant amounts and initial the warrant register.

**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 disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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 – 2011-4 – Inadequate Internal Controls and Noncompliance Over the Sheriff Inmate Trust Account and Sheriff Commissary Fund**

**Condition:** An audit of the Inmate Trust Account and Sheriff Commissary Fund reflected the following:

- Bank reconciliations are not performed.
- The Sheriff’s office does not make daily deposits.
- The Sheriff’s office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.
- All expenditures are made from the Inmate Trust Account are not filed with and allowed by the Board of County Commissioners.
- Receipts are not maintained with the deposit to show support for the deposit made.
- Cash was given to inmates upon release in some instances.
- Disbursements were made from the Inmate Trust Account that are not allowed by statute.
- We were unable to locate all of the Inmate Trust records for the period of July 1, 2010 through June 30, 2011.

**Cause of Condition:** Policies and procedures have not been designed regarding the Inmate Trust Account.

**Effect of Condition:** These conditions resulted in noncompliance with statutes, laws, regulations or legislative intent. Also, without proper accounting and safeguarding of the Inmate Trust Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends that the Sheriff maintain Inmate Trust Fund monies in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmates’ trust fund balances should be reconciled to the bank statements each month, collection of inmate monies should be deposited daily, and no operating expenditures should be made from this fund. The County Sheriff should comply with state statutes regarding the Commissary Account with the County Treasurer. The Sheriff should file a report of the commissary with the Board of County Commissioners by January 15, of each year. OSAI further recommends all records should be retained for auditing purposes.

**Management Response:**

**County Sheriff:** In response to the Inmate Trust Account and Commissary Fund, this agency has changed commissary companies to correct the deficiencies of the previous company resulting in better record keeping. We have established a cash free facility and will perform the trust account report to be submitted to the Board of County Commissioners by January 1 each year.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Criteria:** Effective accounting procedures and internal controls are necessary to ensure stewardship and accountability of public funds. Safeguarding controls are an aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transaction and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as reconciliations not performed or not timely prepared, are deficiencies in internal control. Further, reconciliations should be performed on a monthly basis.

Effective internal controls should provide for procedures wherein receipts for the monies collected are maintained and available for inspection and deposits are made in a timely manner.

Title 19 O.S. § 180.43 D. and E. states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff’s Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

Title 19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust Checking Account”. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff’s Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge.” In addition, Title 19 O.S. § 531 C. states, “Banking fees on the account may be paid out of the Sheriff Commissary Account or the county Sheriff’s Service Cash Fund”.

**Finding – 2011-7 – Consumable Inventory**

**Condition:** During our testwork, we noted the following:

- District 1 - A fuel log is not maintained to track fuel consumption for unleaded and diesel.
- District 2 - A fuel log is not maintained to track the diesel fuel at the off-site locations.

**Cause of Condition:** Procedures have not been designed to properly keep track of consumable inventory items.

**Effect of Condition:** These conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Recommendation:** OSAI recommends that more emphasis be placed on maintaining accurate inventory records for consumable items. We also recommend that periodic counts of consumable inventory be conducted and documented.

**Management Response:**

**District 1** – We are keeping a fuel log to track the consumption of unleaded and diesel

**District 2** – We have installed gauges on the off-site tanks and fuel logs are being kept.

**Criteria:** Title 19 O.S. § 1502 prescribes procedures for administering a consumable inventory of items purchased in lots of Five Hundred Dollars (\$500.00) or more. In addition, safeguarding controls are an aspect of internal control. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failures to perform tasks that are part of internal controls such as performing periodic counts of consumable inventories and reconciling those counts to inventory records are deficiencies of internal control.



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