



# LINCOLN COUNTY

## Financial Report

For the fiscal year ended June 30, 2015

**Cindy Byrd, CPA**  
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)

November 9, 2020

TO THE CITIZENS OF  
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma for the fiscal year ended June 30, 2015. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



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

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**Board of County Commissioners**

District 1 – Ted O'Donnell  
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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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## Independent Auditor's Report

TO THE OFFICERS OF  
LINCOLN COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *Management's Responsibility for the Financial Statement*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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



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

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

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

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Lincoln County as of June 30, 2015, or changes in its financial position for the year then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Lincoln County, for the year ended June 30, 2015, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Schedule of Expenditures of Federal Awards and remaining Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the remaining Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2020, 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 in considering Lincoln County's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

November 2, 2020



## **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, 2015**

	Beginning Cash Balances July 1, 2014	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2015
Combining Information:						
County General	\$ 1,199,826	\$ 3,878,425	\$ 300,000	\$ 300,000	\$ 3,307,919	\$ 1,770,332
Highway Cash	1,600,203	5,422,623	300,783	300,000	5,144,081	1,879,528
County Health	657,557	871,284	-	-	628,948	899,893
CSSP-Boarding of Prisoners	20,876	49,441	-	-	66,314	4,003
Sheriff Service Fee	43,297	256,829	-	-	272,669	27,457
County Sales Tax	2,536,388	2,712,411	300,000	300,000	2,430,332	2,818,467
CBRIF-105	1,587,069	546,649	-	783	475,627	1,657,308
County Use Tax	1,618,856	499,716	-	-	174,771	1,943,801
Resale Property	844,624	177,898	14,862	-	104,014	933,370
County Clerk Preservation Fund	226,351	59,835	-	-	44,345	241,841
County Clerk Lien Fee	210,542	48,111	-	-	9,904	248,749
Free Fair	19,570	23,617	-	-	28,080	15,107
Courthouse Security	5,370	21,771	-	-	12,762	14,379
Sheriff Board Bills	4,331	55,745	-	-	58,135	1,941
County Treasurer Certification Fee	27,156	6,685	-	-	724	33,117
Court Fund Payroll	11,360	153,607	-	-	157,685	7,282
County Assessor Revolving	9,059	6,502	-	-	5,928	9,633
County Sheriff Commissary	7,999	34,595	-	-	39,484	3,110
Flood Plain	3,434	1,875	-	-	3,164	2,145
Trash Dumping Fund	1,365	49	-	-	1,351	63
County Sinking	295	-	-	-	-	295
Civil Defense	3,707	15,140	-	-	6,379	12,468
Kids First Grant	130	-	-	-	-	130
Emergency Management Donation Fund	894	-	-	-	-	894
Communications Tower	7,230	6,475	-	-	8,453	5,252
Central Economic Development District	12,500	-	-	-	12,500	-
REAP Arlington Fire Department	-	12,472	-	-	12,472	-
Local Emergency Planning Commission	1,225	-	-	-	-	1,225
Community Service Sentence Program	221	-	-	-	221	-
County Commissioner Reward Fund	2,506	308	-	-	-	2,814
<b>Combined Total - All County Funds, As Restated</b>	<b>\$ 10,663,941</b>	<b>\$ 14,862,063</b>	<b>\$ 915,645</b>	<b>\$ 900,783</b>	<b>\$ 13,006,262</b>	<b>\$ 12,534,604</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, 2015**

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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:

County General – accounts for the general operations of the government.

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

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

CSSP-Boarding of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Correction prisoners. Disbursements are used for jail operating expenses.

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

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

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County Sales Tax – accounts for the collection of sales tax revenues and the disbursement of funds as restricted by the sales tax ballot.

CBRIF-105 – accounts for revenues from Oklahoma Department of Transportation and disbursement of funds are earmarked for bridges, roads, and certain improvements for roads.

County Use Tax – accounts for the collection of use tax and disbursements are for special projects.

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

County Clerk Preservation Fund – accounts for revenues from instruments filed in the County Clerk's office and disbursements are for the preservation of records as restricted by state statute.

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

Free Fair – accounts for the collection of revenue generated from building rent, booth rental, and other fees and disbursements are for the maintenance and operation of the fair park.

Courthouse Security – accounts for the collection of revenue generated from the Court Clerk's office for filing fees and disbursements are for a deputy's salary and security equipment to provide courthouse security.

Sheriff Board Bills – accounts for the collection of revenue generated from contracted towns, cities, and tribes for housing prisoners. Disbursements are used for jail operating expenses.

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

Court Fund Payroll – accounts for monies received from the Court Clerk's Court Fund for the disbursement of payroll to Court Fund employees.

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

County Sheriff Commissary – accounts for monies transferred from the inmate trust account for commissary items and disbursement of funds for commissary and jail operating expenses.

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

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

Trash Dumping Fund – accounts for grant funds received from the State of Oklahoma for the enforcement of trash and litter laws and disbursements are for trash cop salaries.

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments.

Civil Defense – accounts for the receipt and disbursement of funds from state and local governments for civil defense purposes.

Kids First Grant – accounts for revenues from a child abuse prevention grant and disbursements as restricted by the grant agreement.

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

Communications Tower – accounts for monies collected from Page Plus, County Commissioners, 911 Office, Emergency Management, fire departments, and Sheriff's office for rental of repeater space and disbursements are to lease the land, utilities, FCC licensing, and tower maintenance.

Central Economic Development District – accounts for grant monies received and disbursed as restricted by the grant agreement.

REAP Arlington Fire Department – accounts for grant funds received from Rural Economic Action Plan and disbursements are for the building of an addition to the Vivian Area Fire Protection Association Fire Station.

Local Emergency Planning Commission – accounts for funds from the Oklahoma Department of Environmental Quality and disbursements are used for operational expenses related to the Commission.

Community Service Sentencing Program – accounts for the collection of funding through the State Department of Corrections for administrative expenses and supervision of offenders.

County Commissioner Reward Fund – accounts for fees collected for unlawful trash dumps and disbursed as a reward to persons reporting the trash dumping.

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

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**C. Basis of Accounting**

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

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

**D. Budget**

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

**E. Cash and Investments**

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

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

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

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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. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**3. Other Information**

**A. Pension Plan**

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

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

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

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

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

**C. Contingent Liabilities**

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

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

**D. Sales Tax**

The voters of Lincoln County approved a one percent (1%) sales tax through a special election on February 12, 2013 that became effective January 1, 2014. This sales tax has a duration of five (5) years. The sales tax was established to provide revenue for the following: County Road and Bridge Improvements-60%, Lincoln County Jail-13%, Lincoln County Extension Center-6%, with a cap of \$120,000 annually, Senior Citizen Nutrition Sites-6%, Lincoln County Fire Departments-8.5%, Lincoln County Free Fair-2%, Economic Development-2.5%, and Emergency Management and Lincoln County Safety Office-2%, with a cap of \$25,000 annually. Money over capped amounts will go to the Lincoln County Courthouse Improvement Fund. These funds are accounted for in the County Sales Tax fund.

**E. Interfund Transfers**

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

- \$300,000 was transferred from County Sales Tax fund to the County General fund to meet requirements of appropriations in accordance with Title 68 O.S. § 3021.



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

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- \$300,000 was transferred from County General fund to County Sales Tax fund for the repayment of a loan in accordance with Title 68 O.S. § 3021.
- \$300,783 was transferred from the Emergency and Transportation Revolving (ETR) fund (a trust and agency fund) to the Highway Cash fund as a loan for bridge and road projects in the County.
- \$300,000 was transferred from Highway Cash fund to the ETR fund (a trust and agency fund) for the repayment of the loan.
- \$783 was transferred from CBRIF-105 fund to the ETR fund (a trust and agency fund) for the repayment of the loan.
- \$14,862 was transferred to the Resale Property fund from the Excess Resale fund (a trust and agency fund) per Title 68 O.S § 3131.

**F. Restatement of Fund Balance**

During the fiscal year, the County had a reclassification of funds. Court Fund Payroll was reclassified as a county fund and represents payroll expenditures of County employees. County Commissioner Reward Fund was reclassified as a county fund. Lincoln County Industrial Authority was reclassified as a trust and agency fund.

Prior year ending balance, as reported	\$10,867,400
Funds reclassified to County Funds:	
Court Fund Payroll reclassified from a Trust and Agency Fund to a County Fund	11,360
Funds reclassified to County Funds:	
County Commissioner Reward Fund reclassified from a Trust and Agency Fund to a County Fund	2,506
Funds reclassified to Trust and Agency Funds:	
Lincoln County Industrial Authority reclassified from a County Fund to a Trust and Agency Fund	<u>(217,325)</u>
Prior year ending balance, as restated	<u>\$10,663,941</u>

## **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, 2015**

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	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,199,826	\$ 1,199,826	\$ -
Less: Prior Year Outstanding Warrants	(218,223)	(218,223)	-
Less: Prior Year Encumbrances	(17,598)	(17,598)	-
Beginning Cash Balances, Budgetary Basis	<u>964,005</u>	<u>964,005</u>	<u>-</u>
 Total Receipts, Budgetary Basis	 <u>3,564,788</u>	 <u>3,878,425</u>	 <u>313,637</u>
Total Expenditures, Budgetary Basis	<u>4,528,793</u>	<u>3,463,049</u>	<u>1,065,744</u>
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 <u>\$ -</u>	 1,379,381	 <u>\$ 1,379,381</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		154	
Add: Current Year Outstanding Warrants		139,509	
Add: Current Year Encumbrances		<u>251,288</u>	
Ending Cash Balance		<u>\$ 1,770,332</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, 2015**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 657,557	\$ 657,557	\$ -
Less: Prior Year Encumbrances	(48,318)	(48,318)	-
Beginning Cash Balances, Budgetary Basis	609,239	609,239	-
 Total Receipts, Budgetary Basis	 804,890	 871,284	 66,394
 Total Expenditures, Budgetary Basis	 1,414,129	 756,163	 657,966
 Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 724,360	 \$ 724,360
 Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		1,891	
Add: Current Year Encumbrances		17,020	
Add: Current Year Outstanding Warrants		156,622	
Ending Cash Balance		\$ 899,893	

**LINCOLN COUNTY, OKLAHOMA**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**1. Budgetary Schedules**

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**LINCOLN COUNTY, OKLAHOMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed Through State Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CDBG-13-15887	\$ 63,796
Total U.S. Department of Housing and Urban Development			<u>63,796</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through the Bureau of Indian Affairs:			
Highway Planning and Construction	20.205	A13AC00012	175,804
Highway Planning and Construction	20.205	A13AC00087	394,445
Highway Planning and Construction	20.205	30766(04)	41,740
Highway Planning and Construction	20.205	30767(04)	1,715
Total CFDA 20.205			<u>613,704</u>
Passed Through the Oklahoma Highway Safety Office:			
State and Community Highway Safety	20.600	AL-14-03-05-03	4,275
State and Community Highway Safety	20.600	PT-16-03-10-04	22,500
Total CFDA 20.600			<u>26,775</u>
National Priority Safety Programs	20.616	M2HVE-14-03-02-03	3,675
Total Oklahoma Highway Safety Office			<u>30,450</u>
Total U.S. Department of Transportation			<u>644,154</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-OK-4117	16,301
Emergency Management Performance Grants	97.042	EMPG-15	20,000
Fire Management Assistance Grant	97.046	FM-2951	2,876
Fire Management Assistance Grant	97.046	FM-2956	1,512
Total CFDA 97.046			<u>4,388</u>
Total U.S. Department of Homeland Security			<u>40,689</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 748,639</u></u>

**LINCOLN COUNTY, OKLAHOMA**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Lincoln County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
LINCOLN COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Lincoln County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively 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 November 2, 2020.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2015, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

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

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



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2015-005.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2015-007.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lincoln County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of Lincoln County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

### **Lincoln County's Response to Findings**

Lincoln County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lincoln County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

November 2, 2020

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by  
OMB Circular A-133**

TO THE OFFICERS OF  
LINCOLN COUNTY, OKLAHOMA

**Report on Compliance for Each Major Program**

We have audited the compliance of Lincoln County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Lincoln County's major federal program for the year ended June 30, 2015. Lincoln County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Lincoln County's management.

**Auditor's Responsibility**

Our responsibility is to express an opinion on Lincoln County's compliance based on our audit.

We conducted our audit of compliance 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lincoln County's compliance with those requirements.

**Opinion on Each Major Federal Program**

In our opinion, Lincoln County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.



## **Internal Control Over Compliance**

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County'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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-008 to be material weaknesses.

## **Other Matters**

Lincoln County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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., section 24A.1 et seq.), and shall be open to any person for inspection and copying.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

November 2, 2020

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION 1—Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unqualified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... Yes

Noncompliance material to financial statements noted?..... No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? ..... None reported

Type of auditor's report issued on  
compliance for major programs: ..... Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?..... No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between  
Type A and Type B programs: ..... \$300,000

Auditee qualified as low-risk auditee?..... No

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION 2—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2015-005 – Lack of Internal Controls and Noncompliance Over Disbursements and Payroll Process**

**Condition:** Upon inquiry and observation of the payroll disbursement process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new employees, inputs payroll information, prepares the state and federal tax reports, maintains personnel files, makes payroll changes, prepares and distributes warrants, and maintains ledgers.

In addition, taxable fringe benefits are not tracked or monitored, and the benefits are not included on employees' W-2s for employees driving County vehicles to and from work.

Further, we noted the following exceptions with regards to the disbursement process:

- The County Clerk does not reconcile the County General and Highway Cash funds to the County Treasurer's general ledger.
- Warrant paid dates are not included in the County Clerk's software system.
- The Purchasing Agent does not obtain quotes and vendor selection for all purchases, each office does their own solicitation.
- Of the Eighty (80) disbursements tested:
  - Ten (10) were not adequately documented due to timesheet not signed by employee and/or approved by supervisor.
  - One (1) could not be located.
  - One (1) did not contain a receiving officer signature on the receiving report.

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

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and determine if accounting functions over disbursements can be adequately segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensations 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 approve of accounting functions, including taxable fringe benefits.



**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Further, OSAI recommends that the warrant paid dates be included in the County Clerk's software system in order to better assist the County Clerk to reconcile all funds to the County Treasurer's general ledger. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

In addition, OSAI recommends the Purchasing Agent perform the purchasing duties in accordance with 19 O.S. § 1501 and the County comply with 19 O.S. § 1505.

**Management Response:**

**County Clerk:** I was not in office during this time; however, I am currently in the process of preparing a resolution for the Commissioners to approve a Fringe Benefit Policy over Vehicle Usage. In fiscal year 2018-19, my office began entering paid dates in software. We are now on new software and are able to upload the treasurer's paid dates within the system. If a department obtains quotes for a purchase, the Purchasing Agent will verify those quotes prior to assigning a purchase order number. Payroll procedures will include a second set of eyes to view changes in payroll, new employee enrollment, payroll and tax claims. I will also implement policies and procedures and in so doing, will segregate payroll duties among at least two employees.

**Criteria:** The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Principle 16 – Perform Monitoring Activities: 16.05 states in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Title 19 O.S § 1501 prescribes the procedures and duties of the Purchasing Agent.

Title 19 O.S § 1505 prescribes the procedures for encumbering.

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 Publication 15-b states in part, "If the recipient of a taxable fringe benefit is your employee, the benefit generally is subject to employment taxes and must be reported on Form W-2, Wage and Tax Statement ..."

**Finding 2015-007 – Lack of Internal Controls Over Information Systems Security – County Clerk**

**Condition:** Upon review of the computer systems within the office of the County Clerk, it was noted that there does not appear to be adequate internal controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County Pursuant to the provision of 51 O.S. § 24A.28.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prevent unauthorized access to data.

**Effect of Condition:** This condition could result in compromised security for computers, computer programs, and data.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Recommendation:** OSAI recommends the County comply with best practices presented in the criteria. The specifics of the recommendation have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Management Response:**

**County Clerk:** I was not in office during this time, but I am aware of this finding moving forward.

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security on monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**SECTION 3— Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

**Finding 2015-001 – Lack of County-Wide Controls Over Major Programs – Highway Planning and Construction**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs and Oklahoma Department of Transportation

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**FEDERAL AWARD NUMBER:** A13AC00012, A13AC00087, 30766(04), and 30767(04)

**FEDERAL AWARD YEAR:** 2015

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** County-wide controls regarding Control Environment, Risk Assessment, Information and Communication and Monitoring have not been designed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County is in compliance with grant requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements.

**Recommendation:** OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Management Response:**

**Chairman, Board of County Commissioners:** Training has been provided to county staff to ensure that employees are familiar with each federal award and its requirements. Additional training will be included in the BOCC meeting minutes for each federal grant received in the future to ensure proper documentation of all federal awards.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

The paragraphs below come from the United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) ("GAO Standards"): also known as the Green Book.

OV1.01 Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

**Control Environment Overview:** The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

**Risk Assessment Overview:** Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

**Information and Communication Overview:** Management uses quality information to support the internal control system. Effective information and communication are vital for an entity to achieve its objectives. Entity management needs access to relevant and reliable communication related to internal as well as external events.

**Monitoring Overview:** Since internal control is a dynamic process that has to be adapted continually to the risks and changes an entity faces, monitoring of the internal control system is essential in helping internal control remain aligned with changing objectives, environment, laws, resources, and risks. Internal control monitoring assesses the quality of performance over time and promptly resolves the findings of audits and other reviews. Corrective actions are a necessary complement to control activities in order to achieve objectives.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Finding 2015-008 – Lack of Internal Controls Over Major Programs – Highway Planning and Construction**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs and Oklahoma Department of Transportation

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**FEDERAL AWARD NUMBER:** A13AC00012, A13AC00087, 30766(04), and 30767(04)

**FEDERAL AWARD YEAR:** 2015

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** During the process of documenting the County's internal controls regarding federal disbursements, we noted that the County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed/Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Period of Performance, Procurement and Suspension and Debarment, and Special Tests and Provisions.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the County is in compliance with grant requirements.

**Effect of Condition:** This condition could result in noncompliance with grant requirements and a loss of federal funds to the County.

**Recommendation:** OSAI recommends that the County gain an understanding of the requirements for these programs and implement a system of internal controls to ensure compliance with grant requirements.

**Management Response:**

**Chairman, Board of County Commissioners:** Training has been provided to county staff to ensure that employees are familiar with each federal award and its requirements. Additional training will be included in the BOCC meeting minutes for each federal grant received in the future to ensure proper documentation of all federal awards.

**Criteria:** *OMB A-133, Subpart C, § \_\_\_.300* reads as follows:

Subpart C—Auditees

§ \_\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Finding 2015-002 – Lack of Internal Controls Over the Schedule of Expenditures of Federal Awards**

**PASS-THROUGH GRANTOR:** Bureau of Indian Affairs and Oklahoma Department of Transportation

**FEDERAL AGENCY:** U.S. Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**FEDERAL AWARD NUMBER:** A13AC00012, A13AC00087, 30766(04), and 30767(04)

**FEDERAL AWARD YEAR:** 2015

**CONTROL CATEGORY:** Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions

**QUESTIONED COSTS:** \$-0-

**Condition:** During our audit we identified federal programs that were not listed accurately on the County's Schedule of Expenditures of Federal Awards (SEFA). Federal expenditures were overstated by \$514,086.

The following misstatements were noted:

- Non-federal expenditures received from the Absentee Shawnee Housing Authority (ASHA) were reported on the SEFA as Payments In lieu of Taxes, CFDA 15.226, in the amount of \$747.
- The actual expenditures for the State Criminal Alien Assistance Program, CFDA 16.606, were \$0 and the County reported \$3,182. The County overstated the expenditures for CFDA 16.606 by \$3,182.
- The actual expenditures for Highway Planning and Construction, CFDA 20.205, were \$613,704 and the County reported \$970,249. The County overstated the expenditures for CFDA 20.205 by \$356,545.
- The actual expenditures for State and Community Highway Safety, CFDA 20.600, were \$26,775 and the County reported \$30,000. The County overstated the expenditures for CFDA 20.600 by \$3,225.
- The actual expenditures for the National Priority Safety Programs, CFDA 20.616, were \$3,675 and the County reported \$0. The County understated the expenditures for CFDA 20.616 by \$3,675.
- The actual expenditures for Disaster Grants - Public Assistance (Presidentially Declared Disasters), CFDA 97.036, were \$16,302 and the County reported \$174,989. The County overstated the expenditures for CFDA 97.036 by \$158,687.
- The actual expenditures for the Emergency Management Performance Grants, CFDA 97.042, were \$20,000 and the County reported \$15,375. The County understated the expenditures for CFDA 97.042 by \$4,625.
- The expenditures for the Fire Management Assistance Grant, CFDA 97.046, were reported as CFDA 97.036.

Reported Total Expenditures of Federal Award	\$1,262,725
Less: ASHA (Non-Federal)	(747)
Less: SCAAP (CFDA# 16.606)	(3,182)

**LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Less: HPC (CFDA# 20.205)	(356,545)
Less: SCHS (CFDA# 20.600)	(3,225)
Add: NPSP (CFDA# 20.616)	3,675
Less: Disaster Grants (CFDA# 97.036)	(158,687)
Add: EMPG (CFDA# 97.042)	<u>4,625</u>
Actual Federal Expenditures of Federal Awards	<u>\$ 748,639</u>
Original SEFA Overstated by	<u>\$ 514,086</u>

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure accurate reporting of expenditures for all federal awards.

**Effect of Condition:** This could result in the erroneous reporting and/or a material misstatement of the County's Schedule of Expenditures of Federal Awards and increases the potential for material noncompliance.

**Recommendation:** OSAI recommends county officials and department heads gain an understanding of federal programs awarded to Lincoln County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the SEFA and to ensure compliance with federal requirements.

**Management Response:**

**Chairman, Board of County Commissioners:** Management is implementing procedures to train employees on federal expenditures and submitting federal expenditure information when compiling the Schedule of Expenditures of Federal Awards.

**County Clerk:** I was not in office during this time; however, we will have each office attend training in regard to federal funding and review federal expenditure information when compiling the Schedule of Expenditures of Federal Awards.

**Criteria:** *OMB A-133, Subpart C, §\_\_\_.300* reads as follows:

Subpart C—Auditees

§\_\_\_.300 Auditee responsibilities.

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have material effect on each of its Federal programs.

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*OMB Circular A-133 §\_\_.310 (b) states in part:*

The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements... At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency...
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Further, GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

*Compliance Objectives*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

**SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2015-012 – Lack of Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**



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**Condition:** We noted the following weaknesses regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund:

- One employee is responsible for accessing and balancing the drop box, preparing deposit slips, taking deposits to the bank, reconciling account balances, posting payments and disbursements to inmate records, calculating amount(s) written out of accounts, issuing checks, signing checks, and performing bank reconciliations.
- Bank reconciliations are not timely preformed and the inmate trust ledgers are not been reconciled to the bank account.
- The County Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup> of each year.
- The Inmate Trust Fund Checking Account does not have its own federal identification number, rather it is using the County's federal identification number.
- There is no policy or procedure regarding unclaimed funds.
- Inmate Trust funds are not deposited daily.
- Of the 100% of disbursements tested for fiscal year 2015:
  - Forty-one (41) checks were written to someone other than the inmate or Sheriff Commissary Fund in the total amount of \$35,081.
  - Three (3) checks had only one signature in the total amount of \$1,099.
  - One (1) check in the amount of \$7 did not have any signatures.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- Inmate Trust Fund Checking Account monies should be maintained 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.
- Bank reconciliations should be performed monthly.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15<sup>th</sup>, of each year in accordance with Title 19 O.S. § 180.43 D.
- The Inmate Trust Fund Checking Account should obtain a separate federal identification number from the County due to the Inmate Trust funds are not deposited with the County Treasurer.
- Policy and Procedures should be established for all unclaimed funds in accordance with Title 22 O.S. § 1325 (F, H).

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- All collections should be deposited daily.
- Expenditures are to be made from the Inmate Trust Fund Checking Account in accordance with Title 19 O.S. § 531 A.
- All checks from the Inmate Trust Fund Checking Account must have two (2) authorized signatures.

**Management Response:**

**County Sheriff:** The Lincoln County Sheriff's Office now has (2) two individuals, the administrative assistant and a deputy, empty the kiosk and count the money, the deputy takes the money to be deposited and both initial the deposit slip after the money has been deposited verifying its accuracy. Bank reconciliations are done by the administrative assistant and reviewed and initialed by the Sheriff. All jailers have their own individual password to the inmate money management software and are all capable of releasing only the full amount remaining on the inmate's books to a debit card. Checks are printed by the administrative assistant but signed by other office personnel on the Inmate Trust Fund Checking Account. Reconciliations are done monthly within a week of receiving the bank statements, they are balanced, then reviewed and initialed by the Sheriff. The annual commissary report will now be filed timely. I was unaware the Inmate Trust Fund needed their own federal identification number and we are currently in the process of getting its own number established. We have requested other counties policy and procedure and are in the process of developing our own policy for unclaimed funds. Inmate funds are now deposited daily, if funds come in. Checks are now only written to inmates and the Sheriff's office then deposited in the Sheriff's Commissary Account. All checks are deposited into the Sheriff's Commissary account and a purchase order is requested for the commissary vendor. All checks are now signed by two administrators.

**Criteria:** The GAO Standards – Principle 10 – Design and Control Activities – 10.03 states in part:

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely

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prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

The GAO Standards - Principle 12 – Implement Control Activities – 12.04 states in part:

Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

Title 19 O.S. § 180.43 D. 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.”

Title 22 O.S. § 1325 (F,H) outlines the procedures for disposing unclaimed property.

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None Reported.



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