



LINCOLN COUNTY AUDIT REPORT

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



June 30, 2022

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma for the fiscal year ended June 30, 2021. 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.

This report is 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.

Sincerely,

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**LINCOLN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Board of County Commissioners

District 1 – Carl Munson
District 2 – Marlon Miller
District 3 – Lee Doolen

County Assessor

Jackie Holcomb

County Clerk

Alicia Wagnon

County Sheriff

Charlie Dougherty

County Treasurer

Brenda Jackson

Court Clerk

Cindy Kirby

District Attorney

Allan Grubb

**LINCOLN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**LINCOLN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the 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, 2021, 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 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 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, 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 statement 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, 2021, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Lincoln County, as of and for the year ended June 30, 2021, 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 total of all county funds on the financial statement. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining supplementary information 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 is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, 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 solely 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 effectiveness of the County’s internal control over financial reporting or on compliance. This report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2022

REGULATORY BASIS FINANCIAL STATEMENT

LINCOLN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General Fund	\$ 5,279,283	\$ 6,601,985	\$ 57,000	\$ 57,000	\$ 5,313,195	\$ 6,568,073
County Highway Unrestricted	1,123,483	4,265,559	-	12,000	3,871,523	1,505,519
Health	2,785,798	1,555,857	-	-	704,863	3,636,792
CSSP Boarding of Prisoners	535	-	-	-	-	535
Sheriff Service Fee	78,464	346,873	22,000	22,000	341,326	84,011
County Bridge and Road Improvement	2,185,095	366,075	12,000	-	68,140	2,495,030
Use Tax-ST	2,723,261	605,653	-	-	837,745	2,491,169
Resale Property	1,545,696	233,214	51,588	-	84,591	1,745,907
County Clerk Records Management and Preservation	211,811	111,632	-	-	76,954	246,489
County Clerk Lien Fee	128,190	53,695	-	-	62,084	119,801
Free Fair Board	46,420	18,832	-	-	9,879	55,373
Treasurer Mortgage Certification	50,142	8,175	-	-	2,443	55,874
Assessor Revolving Fee	5,115	2,778	-	-	4,010	3,883
Sheriff Commissary	30,559	155,734	-	-	135,962	50,331
Flood Plain	16,875	5,475	-	-	11,447	10,903
Trash Cop	2,854	-	-	-	2,416	438
Emergency Management	10,518	46,489	-	-	27,521	29,486
County Donations	90,407	50,595	-	-	63,410	77,592
Local Emergency Planning Committee	505	-	-	-	-	505
Reward Fund	3,639	98	-	-	-	3,737
Court Clerk Payroll	6,765	110,837	35,000	35,000	114,098	3,504
Courthouse Improvement-ST	481,005	116,259	-	-	134,865	462,399
Emergency Management-ST	37,794	40,026	-	-	16,301	61,519
Extension-ST	281,041	120,000	-	-	124,939	276,102
Fair-ST	55,468	53,938	-	-	38,837	70,569
Roads and Bridges-ST	673,354	1,551,123	-	-	1,402,059	822,418
Jail-ST	109,931	335,144	-	-	323,457	121,618
Rural Fire-ST	663,774	219,305	-	-	178,954	704,125
Senior Citizens-ST	268,417	182,505	-	-	124,560	326,362
Economic Development-ST	172,087	51,384	-	-	218,754	4,717
CDBG - Kendrick Fire	2,700	-	-	-	-	2,700
Wellston Cemetery Road	22	-	-	-	-	22
Safe Room Grant	1,543	6,000	-	-	6,000	1,543
Safe Oklahoma Grant	16,358	15,000	-	-	29,450	1,908
Jacktown Fire REAP Grant	18,925	-	-	-	18,925	-
COVID Aid and Relief Fund	-	1,006,490	-	-	104,459	902,031
American Rescue Plan Act	-	3,387,224	-	-	-	3,387,224
REAP Grant District #3 EW 990	-	50,000	-	-	50,000	-
CDBG Jacktown Fire	-	149,460	-	-	149,460	-
Total - All County Funds	\$ 19,107,834	\$ 21,823,414	\$ 177,588	\$ 126,000	\$ 14,652,627	\$ 26,330,209

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, 2021**

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 within the financial statement:

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

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

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 collections of monies for the housing of prisoners for towns, tribes, and other counties. Disbursements are used for jail operating expenses.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees, Court Clerk fees, and contract revenues related to the boarding of prisoners. Disbursements are restricted by state statute.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Bridge and Road Improvement – accounts for revenues from the Oklahoma Department of Transportation and disbursement of funds are earmarked for bridges, roads, and certain improvements to roads.

Use Tax-ST – 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 are restricted by state statute.

County Clerk Records Management and Preservation – 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 are restricted by state statute.

Free Fair Board – 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.

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

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

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

Flood Plain – accounts for the collection of flood plain inspections to determine if road crossing is in a flood plain and disbursements are for maintenance and operations.

Trash Cop – 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.

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

County Donations – accounts for all revenues received as a result of a gift, pledge, grant or bequest from a private source is to be receipted as a donation and disbursed for the purpose designated at the time of the donation.

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

Courthouse Improvement-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Emergency Management-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Extension-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Fair-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Roads and Bridges-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Jail-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Rural Fire-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Senior Citizens-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

Economic Development-ST – accounts for a portion of the sales tax revenue collected and the disbursement of funds as restricted by the sales tax ballot.

CDBG - Kendrick Fire – accounts for the receipt and disbursement of funds from a grant to buy a new fire truck for Kendrick Fire Department.

Wellston Cemetery Road – accounts for the receipt and disbursements of funds from a state REAP grant to pave roads leading to Wellston Cemetery.

Safe Room Grant – accounts for the receipt and disbursement of FEMA funds to reimburse homeowners for installing storm shelters.

Safe Oklahoma Grant – accounts for grant funds from the Oklahoma Attorney General for local law enforcement. Disbursements are for various law enforcement expenses.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Jacktown Fire REAP Grant – accounts for the receipt and disbursement of funds from state REAP grant to add on to the fire station.

COVID Aid and Relief Fund –accounts for federal grant monies received from the Coronavirus Relief Fund for the reimbursement of COVID related expenditures. Disbursements are for any lawful purpose of the County as directed by Board of County Commissioners resolution.

American Rescue Plan Act – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

REAP Grant District #3 EW 990 – accounts for the receipt and disbursement of funds from state REAP grant for double overlay chip and seal on EW 990 Road.

CDBG Jacktown Fire – accounts for the receipt and disbursement of funds from a grant to buy coats, pants, boots, and gloves for the Jacktown Fire Department.

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 allows 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, which specifies the format and presentation of such regulatory basis financial statements: 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 with all other funds included in the audit 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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published 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.

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; however, the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in management's opinion, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

D. Sales Tax

Sales Tax of January 1, 2019

The voters of Lincoln County approved a one percent (1%) county wide sales tax through a special election on February 13, 2018, that became effective January 1, 2019. This sales tax has a duration of five (5) years. The sales tax was established to provided 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-7%, Lincoln County Fire Departments-8.5%, Lincoln County Free Fair-2%, Economic Development-2%, Emergency Management and Lincoln County Safety Office-1.5%. Money over capped amounts will go to the Lincoln County Courthouse Improvement fund. These funds are accounted for in the Courthouse Improvement-ST fund, Emergency Management-ST fund, Extension-ST fund, Fair-ST fund, Roads and Bridges-ST fund, Jail-ST fund, Rural Fire-ST fund, Senior Citizens-ST fund, and Economic Development-ST fund.

E. Interfund Transfers

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

- \$22,000 was transferred from the County General Fund to the Sheriff Service Fee fund as a loan in accordance with 68 O.S. § 3021
- \$22,000 was transferred from the Sheriff Service Fee fund to the County General Fund to repay a loan in accordance with 68 O.S. § 3021.
- \$35,000 was transferred from the County General Fund to the Court Clerk Payroll fund as a loan in accordance with 68 O.S. § 3021
- \$35,000 was transferred from the Court Clerk Payroll fund to the County General Fund to repay a loan in accordance with 68 O.S. § 3021.
- \$12,000 was transferred from the County Highway Unrestricted fund to the County Bridge and Road Improvement fund as a loan in accordance with 68 O.S. § 3021.
- \$51,588 was transferred from the Excess Resale fund, a trust and agency fund, to the Resale Property fund in accordance with 68 O.S. § 3131C.

SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 144,700	\$ 127,111	\$ 17,589
County Sheriff	1,399,225	1,378,194	21,031
County Treasurer	229,183	222,497	6,686
County Commissioners	298,769	276,727	22,042
District 1	3,100	1,018	2,082
District 2	3,600	544	3,056
District 3	3,600	268	3,332
OSU Extension	50,000	49,333	667
County Clerk	340,244	320,871	19,373
Court Clerk	308,582	283,622	24,960
County Assessor	325,991	284,998	40,993
Visual Inspection	370,011	229,914	140,097
General Government	6,652,837	1,773,983	4,878,854
Excise-Equalization	3,500	2,295	1,205
County Election Board	124,672	122,594	2,078
Emergency Management	200,885	154,898	45,987
County Audit Budget	125,051	3,780	121,271
Free Fair Budget	136,600	133,360	3,240
Total Expenditures, Budgetary Basis	\$ 10,720,550	\$ 5,366,007	\$ 5,354,543

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 3,106,596	\$ 683,544	\$ 2,423,052
Total Expenditures, Budgetary Basis	\$ 3,106,596	\$ 683,544	\$ 2,423,052

**LINCOLN COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health 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 Statement of Receipts, Disbursements, and Changes in Cash Balances 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, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Oklahoma Department of Commerce:			
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228	17769 CDBG 19	<u>\$ 149,460</u>
Total U.S. Department of Housing and Urban Development			<u>149,460</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed Through the Oklahoma Office of Management and Enterprise Services			
COVID-19 Coronavirus Relief Fund	21.019	SA-0235	<u>1,397,813</u>
Total U.S. Department of the Treasury			<u>1,397,813</u>
U.S. ELECTION ASSISTANCE COMMISSION			
Passed Through the Oklahoma State Election Board			
2018 HAVA Election Security Grants	90.404	OR20101CARES	<u>2,807</u>
Total U.S. Election Assistance Commission			<u>2,807</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR4438	51,736
Hazard Mitigation Grant	97.039	DR4299	6,000
Emergency Management Performance Grants	97.042	EMPG2020	27,208
Emergency Management Performance Grants	97.042	EMPG2019	<u>14,200</u>
Total Assistance Listing 97.042			<u>41,408</u>
Total U.S. Department of Homeland Security			<u>99,144</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,649,224</u></u>

LINCOLN COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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 the Uniform Guidance.

Indirect Cost Rate

Lincoln County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 11, 2021, the President of the United States signed the COVID-19 Relief Bill into law. Lincoln County received \$1,397,813 in federal relief funds. The County incurred \$578,860 of eligible expenses in the prior year ending June 30, 2020. These eligible expenditures were from March 27, 2020, through June 30, 2020, and were accounted for in the County's June 30, 2020, financial statements. Therefore, expenditures in the schedule of expenditures of federal awards for Assistance Listing 21.019 – Coronavirus Relief Fund includes \$578,860 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures that were incurred in fiscal year ending June 30, 2021.

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 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 total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Lincoln County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 29, 2022.

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 as of and for the year ended June 30, 2021, 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) as a basis for designing 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.

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. *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.

Our consideration of internal control was for the limited purpose described in the first 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses: 2021-002, 2021-004, and 2021-005.

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 financial statement. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-005.

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 is 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 it.

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 results 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2022



**Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Lincoln County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Lincoln County's major federal program for the year ended June 30, 2021. 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

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Lincoln County's compliance.

Basis for Qualified Opinion on CFDA 21.019 – Coronavirus Relief Fund

As described in Finding 2021-009 in the accompanying schedule of findings and questioned costs, Lincoln County did not comply with requirements regarding the following:

Finding #	Assistance Listing	Program (or Cluster) Name	Compliance Requirement		
			Activities Unallowed	Allowed	or Cost / Cost Principles
2021-009	21.019	Coronavirus Relief Fund			
2021-009	21.019	Coronavirus Relief Fund			

Compliance with such requirements is necessary, in our opinion, for Lincoln County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 21.019 – Coronavirus Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Lincoln County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 – Coronavirus Relief Fund for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-009, that we consider to be material weaknesses.

Lincoln County's Response to Findings

Lincoln County's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 29, 2022

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unmodified as to regulatory presentation

Internal control over financial reporting:

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

Noncompliance material to the financial statement noted? Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? No

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

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

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 2021-002 - Lack of County–Wide Internal Controls (Repeat Finding - 2019-001, 2020-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, it was noted that county-wide controls regarding Control Environment, Risk Assessment, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to address the risks of the County.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of the Board of County Commissioners: The County Officials are now having regular meetings to discuss the Control Environment, Risk Assessment and Monitoring of the county.

County Clerk: The County Officials are now having regular meetings to discuss the Control Environment, Risk Assessments and Monitoring of the County.

County Treasurer: Currently, the Officers of Lincoln County are having Officer's meetings where we discuss the risks of the County.

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.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

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.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2021-004 - Lack of Internal Controls Over the Reconciliation of the Appropriation Ledger to the General Ledger (Repeat Finding - 2018-002, 2019-002, 2020-002)

Condition: Based on our documentation of controls, monthly reconciliations are not being performed between the County Clerk’s appropriation ledger and the County Treasurer’s general ledger for County General Fund, County Highway Unrestricted, and Health funds.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure a monthly reconciliation of the County Clerk’s appropriation ledger to the County Treasurer’s general ledger is being performed for County General Fund, County Highway Unrestricted, and Health funds.

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

Recommendation: OSAI recommends management take steps to ensure monthly reconciliations are performed between all funds presented on the County Clerk’s appropriation ledger and the County Treasurer’s general ledger. Documentation of this reconciliation should be reviewed and approved by someone other than the preparer.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Management Response:

County Clerk: The County Treasurer and I will work together to reconcile the County General Fund, County Highway Unrestricted, and Health funds.

County Treasurer: Currently, my first deputy and I are working with the County Clerk on balancing these funds.

Criteria: The GAO Standards – 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.

Finding 2021-005 - Lack of Internal Controls and Noncompliance Over Disbursements and Payroll Processes (Repeat Finding – 2015-005, 2016-005, 2017-004, 2018-003, 2019-003, 2020-003)

Condition: Upon inquiry and observation of the disbursement process, we noted the following:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- Funds were encumbered without a written requisition.
- Twenty-two (22) purchase orders totaling \$77,777 did not have paid dates entered in the County Clerk's software.

Additionally, the following exceptions were noted with regards to the disbursements process:

- Of the fifty (50) disbursements tested:
 - Eighteen (18) payroll disbursements totaling \$48,342 could not be located. However, the approval of the disbursements was located within the Board of County Commissioners (BOCC) minutes in the month following the disbursement.
 - Six (6) disbursements totaling \$69,221 were not timely encumbered.
 - Six (6) disbursements totaling \$181,021 were not supported by adequate documentation.
 - Three (3) disbursements in the amount of \$11,774 were used to pay for prior year expenses with current year funds.
 - One (1) payroll disbursement totaling \$2,444 was not supported by a timesheet.

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

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Recommendation: OSAI recommends the County design and implement a system of internal controls over the disbursement and payroll process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services, disbursements are supported by adequate documentation, and that purchase orders and warrants are issued in accordance with 19 O.S. § 1505. OSAI further recommends that the payroll process be adequately segregated to strengthen the internal controls over County disbursements and that the County implement internal control procedures to include warrant paid dates in the County Clerk's software.

Management Response:

Chairman of the Board of County Commissioners: The County Clerk's office now has employees that review the process for all transactions to ensure the information is accurate. Regarding funds not being encumbered without a written requisition, once this was brought to the attention of the County Clerk, it was corrected immediately. Different employees are reviewing documents to make sure that purchasing procedures are followed. Many attended the purchasing class, and I am encouraging other departments to attend the class. All payroll claims are now being approved by each department and all documents are now being maintained within the County Clerk's office.

County Clerk: We now have employees that review the process for all transactions to ensure the information is accurate. When brought to my attention that funds were encumbered without a written requisition, this was corrected immediately. My office is now having a different person reviewing documents to make sure that purchasing procedures are followed. We have attended purchasing class and we are encouraging other departments to attend the class. All payroll claims are now being approved by each department and all documents are now being maintained within my office.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – 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.

GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

GAO Standards – 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.

Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

Title 62 O.S. § 310.4 states in part, “All unencumbered balances, if any, ... on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30, next ... Provided this act shall not be so construed to allow the incurring of a new indebtedness after June 30 chargeable to the appropriation account of the immediately preceding fiscal year.”

SECTION 3— Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2021-010 – Lack of County-Wide Controls Over Major Federal Programs – Coronavirus Relief Fund

PASS-THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0235

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed; and Allowable Costs/Cost Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

Condition: Through the process of gaining an understanding of the County’s internal control structure for federal programs, it was noted that county-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in noncompliance to federal award requirements.

Recommendation: OSAI recommends that the County design and implement a system of county-wide procedures to identify and address risks related to compliance with federal award requirements and to ensure that information is communicated effectively. OSAI also recommends that the County design and implement monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

Management Response:

Chairman of Board of County Commissioners: I am directing every office to review policies and procedures on expending grant monies and to ensure each grant is reviewed by those responsible for expending those monies.

Criteria: 2 CFR § 200.303 - *Internal Controls* states in part,

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Also, the GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

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.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Finding 2021-008 – Lack of Internal Controls Over Major Federal Programs - Coronavirus Relief Fund

PASS-THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0235

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Lincoln County has not established procedures to ensure compliance with the following requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

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

Recommendation: OSAI recommends the County gain an understanding of requirements for this program and design and implement internal control procedures to ensure compliance with grant requirements.

Management Response:

Chairman of the Board of County Commissioners: I am directing every office to review policies and procedures on expending grant monies and to ensure each grant is reviewed by those responsible for expending those monies.

Criteria: *2 CFR § 200.303(a) Internal Controls* states in part,

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Further, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – 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.

Finding 2021-009 – Noncompliance Over Major Federal Program – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

PASS-THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD NUMBER: SA-0235

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

QUESTIONED COSTS: \$103,266

Condition: Program disbursement totaling \$103,266 were not expended in accordance with the Activities Allowed or Unallowed and Allowable Costs/Costs Principles, due to duplicated and ineligible costs.

- Reimbursed payroll expenditures totaling \$9,598 were reimbursed twice.
- Expenditures reimbursed totaling \$93,668 were not determined to be allowable costs to mitigate or prevent the spread of COVID-19.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with federal award requirements.

Effect of Condition: These conditions resulted in noncompliance with grant requirements. The County runs the risk of misappropriation of funds and could prevent the County from receiving future federal funding. Further, this could result in the repayment of grant funds to the grantor agency.

Recommendation: OSAI recommends that the County design and implement policies and procedures to ensure compliance with applicable grant requirements.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Management Response:

Chairman of the Board of County Commissioners: I am directing every office to review policies and procedures on expending grant monies and to ensure each grant is reviewed by those responsible for expending those monies. The paying of sales tax has been corrected. All network items were crucial to following the governor's *Safer at Home Order* and reviewed by the District Attorney's office. All emergency lights were used directly for COVID-19 response.

Auditor Response: The exceptions noted regarding reimbursed payroll expenditures, desktop computers, and workstation accessories were determined not to be made for emergency purposes per Governor Stitt's Emergency Executive Order.

Criteria: 2 CFR § 200.303(a) *Internal Controls* states in part,

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 CFR § 200.403 - *Factors affecting allowability costs* states in part,

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(g) Be adequately documented.

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 2021-001 - Lack of Internal Controls and Noncompliance Over Bids

Condition: During our review of the bid documentation, the following exceptions were noted:

- One (1) purchase order totaling \$19,101 for the courthouse infrastructure was not bid according to the Public Competitive Bidding Act of 1974 (PCBA).
- Seven (7) purchase orders totaling \$234,056 did not comply with 19 O.S § 1505(B).
 - Six (6) purchase orders totaling \$156,856 were for computer workstations and accessories.
 - One (1) purchase order totaling \$77,200 was for vehicles.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure bids are made in compliance with state statute and the PCBA.

Effect of Condition: These conditions resulted in noncompliance with state statutes, and could result in inaccurate records, incomplete information, or in misappropriation of assets.

Recommendation: OSAI recommends the County comply with 61 O.S. § 103(A) by implementing policies and procedures to ensure that all applicable construction projects are awarded under the PCBA and that all requirements of the PCBA have been met.

In addition, OSAI recommends the County comply with 19 O.S. § 1505(B) for all equipment purchased.

Management Response:

Chairman of the Board of County Commissioners: Bid packets are now double checked for accuracy and completeness. The infrastructure and computer stations, Lincoln County acted on behalf of Governor Stitt's *Safer at Home Order* and the state and county's emergency declaration. Updated the secure equipment was crucial to working from home during COVID quarantine. All were reviewed by the District Attorney's office.

County Clerk: When brought to my attention, this was corrected immediately. Bid packets are now double checked for accuracy and completeness. In regard to the infrastructure and computer stations, Lincoln County acted on behalf of Governor Stitt's Emergency Executive Order. Updated and secure equipment was crucial to working from home during COVID quarantine.

Auditor Response: The exceptions noted regarding updates to and were determined not to be made for emergency purposes per Governor Stitt's Emergency Executive Order.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – 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.

Additionally, GAO Standards – Principle 6 – Define Objectives and Risk Tolerances – 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity's objectives. Management sets internal

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

Title 61 O.S. § 103(A) states, “Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974. No work shall be commenced until a written contract is executed and all required bonds and insurance have been provided by the contractor to the awarding public agency.”

Title 61 O.S. § 103(C) states, “Other construction contracts for the purpose of making any public improvements or construction any public building or making repairs to the same for Fifty Thousand Dollars (\$50,000) or less shall be let and awarded to the lowest responsible bidder by receipt of written bids or awarded on the basis of competitive quotes to the lowest responsible qualified contractor.”

Title 61 O.S. § 131 states, “No contract shall be split into partial contracts for the purpose of avoiding the requirements of this act. All such partial contracts shall be void. Any person who knowingly violates the provisions, of this section shall, upon conviction, be guilty of a misdemeanor punishable by imprisonment in the county jail for not more than one (1) year, or by a fine of not more than One Thousand Dollars (\$1,000), or by both such fine and imprisonment.”

Title 19 O.S. § 1505 (B) states, “The counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid” and specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

Finding 2021-006 - Lack of Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account (Repeat Finding)

Condition: Upon inquiry and review over the Inmate Trust Fund Checking Account and the Inmate Trust policies and procedures, the following was noted:

- Phone card sales profits are not deposited in the appropriate fund.
- The Inmate Trust Fund Checking Account was not reconciled to the inmates’ ledger balance.

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

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in misappropriation of funds, inaccurate records, and incomplete information.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Recommendation: OSAI recommends Inmate Trust Fund Checking Account monies be maintained in a manner that reflects each inmate’s trust deposits, disbursements, and account balances. The inmates’ trust fund balance should be reconciled to the total of inmates’ ledger balance. All phone card sales profits should be deposited into the Sheriff Service Fee fund in accordance with state statute.

Management Response:

County Sheriff: Phone profits are now deposited into the Sheriff Service Fee fund as directed by the auditors. The process of clearing unclaimed funds has been started, we are working hard to correct this finding with our commissary provider and auditors.

Criteria: The GAO Standards – 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. § 180.43(E) states in part, “Each county sheriff may operate, or contract the operation of, a telephone system for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. 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 Service Fee Account.”

Finding 2021-012 - Lack of Internal Controls Over the Collection of Fees for Oklahoma Medical Marijuana Compliance Certificates

Condition: During our review of the receipt process, the following was noted:

- Fees collected for processing the Oklahoma Medical Marijuana Compliance Certificates in the amount of \$442,000 were not expressly authorized by state statute.
- Fees collected are in addition to the fees set by the Oklahoma Medical Marijuana Authority.
- A fee schedule determining the cost to provide this service was not provided to auditors.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fees collected by the County are statutorily authorized and to document a fee schedule determining the cost to provide this service for the collection of the Oklahoma Medical Marijuana Compliance fee.

Effect of Condition: This condition resulted in the collection of fees that were not statutorily authorized and could result in inaccurate records, incomplete information, or in misappropriation of assets.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Recommendation: OSAI recommends management take steps to ensure all fees collected by the County are authorized by state statute.

Management Response:

Chairman of the Board of County Commissioners: Lincoln County was acting on advice from the District Attorney to charge the compliance fee.

Auditor Response: Even though the compliance fee charged was approved by the District Attorney, the compliance fee is not expressly authorized by state statute.

Criteria: The GAO Standards – Principle 1 – Demonstrate Commitment to Integrity and Ethical Values: 1.04 states in part:

Tone at the Top

The oversight body and management reinforce the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations, so that these priorities are understood by all stakeholders, such as regulators, employees, and the general public.

GAO Standards – Principle 2 – Exercise Oversight Responsibility: 2.02 states in part:

Oversight Structure

The entity determines an oversight structure to fulfill responsibilities set forth by applicable laws and regulations, relevant government guidance, and feedback from key stakeholders.

GAO Standards – Principle 6 – Define Objectives and Risk Tolerances: 6.05 states in part:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

Lincoln County

COUNTY COMMISSIONERS

811 Manvel Avenue, Suite #4
 LINCOLN COUNTY COURTHOUSE
 Chandler, Oklahoma 74834

405-258-0080

FAX 405-258-1135

Corrective Action Plan in accordance with 2 CFR § 200.511c for the fiscal year ended June 30, 2021

Finding No.	Title (Financial) or Assistance Listing No. (formerly CFDA No.) & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-002	Lack of County-Wide Internal Controls	The County Officials are now having regular meetings .	6/30/22	Lee Doolen Alicia Wagnon, Brenda Jackson
2021-004	Lack of Internal Controls Over Reconciliation of the Appropriation Ledger to the General Ledger	The County Clerk and County Treasurer are working together to reconcile the County General Fund, County Highway Unrestricted, and Health Funds	12/31/22	Alicia Wagnon, Brenda Jackson
2021-005	Lack of Internal Controls and Noncompliance Over Disbursements and Payroll Process	The County Clerk's office has implemented internal controls over the disbursement process to ensure compliance with state statutes. We are now encouraging different offices to attend purchasing class to gain a better understanding of the purchasing procedures.	6/30/22	Lee Doolen and Alicia Wagnon
2021-010	Lack of County-Wide Controls Over Major Programs – Coronavirus Relief Fund	The County Officials will implement a system of county-wide controls to ensure a better understanding of the structure of federal programs, to address the Control Environment, Risk Assessment, Information and Communication, and Monitoring.	6/30/22	BOCC Chairman - Lee Doolen
2021-008	Lack of Internal Controls Over Major Federal Programs – Coronavirus Relief Fund	The Board of County Commissioner Chairman is directing every office to review policies and procedures on expanding grant monies and to ensure each grant is reviewed by those responsible for expending those monies.	6/30/22	BOCC Chairman - Lee Doolen
2021-009	Noncompliance Over Major Federal Program – Coronavirus Relief Fund	I am directing every office to review policies and procedures on expending gran monies and to ensure each grant is reviewed by those responsible for expending those monies.	6/30/22	BOCC Chairman - Lee Doolen

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

Lincoln County
COUNTY COMMISSIONERS

811 Manvel Avenue, Suite #4
LINCOLN COUNTY COURTHOUSE
Chandler, Oklahoma 74834

405-258-0080

FAX 405-258-1135

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2021**

FINANCIAL AUDIT FINDINGS

Finding 2013-001, 2014-001

Inadequate Internal Controls and Noncompliance with State Statutes Regarding Acceptance of Bids (Repeat Finding)

Finding Summary: The County did not comply with 19 O.S. § 1505(B) regarding the purchase of commonly used items and 19 O.S. § 1501(A)(3)(j) regarding the purchase of processed native materials for road and bridge improvements.

Status: Partially Corrected

Finding 2016-005 – Lack of Internal Controls and Noncompliance Over Disbursement and Payroll Process (Repeat Finding - 2015-005)

Finding Summary: A concentration of duties exists in the County Clerk's office. 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. The County Clerk does not reconcile the County General and Highway Cash funds to the County Treasurer's general ledger. Warrant pay dates are not included in the County Clerk's software and nineteen (19) disbursements out of eighty (80) disbursements tested did not have adequate documentation to support the expenditure.

Status: Not Corrected

Finding 2016-007 – Lack of Internal Controls Over Information Systems Security – County Clerk (Repeat Finding - 2015-007)

Finding Summary: 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.

Status: Fully Corrected

FEDERAL AUDIT FINDINGS

Finding, 2015-008, 2016-001

Inadequate County-Wide Controls Over Major Federal Programs – Highway Planning and Construction

Pass-Through Grantor: Bureau of Indian Affairs

Federal Agency: U.S. Department of Transportation

Assistance Listing No: 20.205

Federal Program Name: Highway Planning and Construction

Federal Grant Award Number: B-12-UC-10-0001

Federal Award Year: 2012

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability of Federal Funds; Procurement and Suspension and Debarment; and Reporting

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov