

LINCOLN COUNTY

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

COUNTY AUDIT



Oklahoma State Auditor
& Inspector

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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April 26, 2010

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma for the fiscal year ended June 30, 2008. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the County.

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

The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

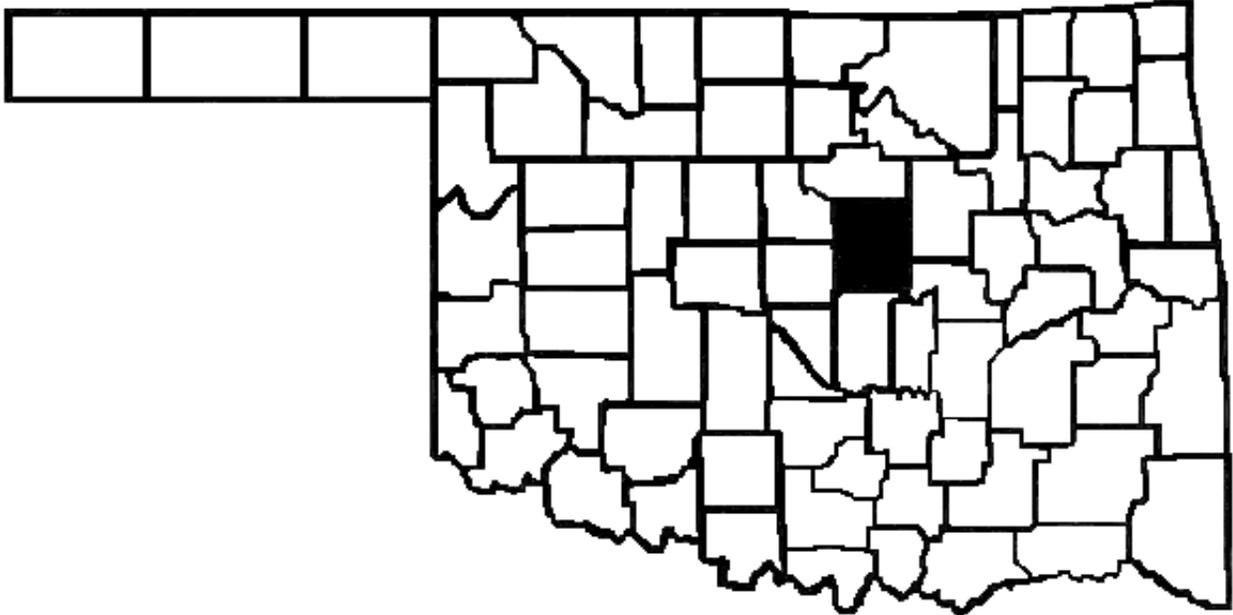
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**REPORT TO THE CITIZENS
OF
LINCOLN COUNTY, OKLAHOMA**



Lincoln County was originally part of the Creek Nation but ceded by the Creeks as a result of the Treaty of 1866 and settled by Sac and Fox, Iowa, Kickapoo, and Pottawatomie Indians. After the Cherokee Commission secured allotment of the area, it was open to a land run on September 22, 1891, in which 20,000 homesteaders participated. On October 1, 1891, Lincoln County was organized and named by a popular vote after President Abraham Lincoln.

Although cotton was the principal crop in the early days, castor beans and broom corn were also money crops. By 1915, oil was discovered near the county seat of Chandler, followed by the discovery of the Stroud field in 1923 and later the Davenport oil boom.

County Seat – Chandler

Area – 965.62 Square Miles

County Population – 32,311
(2005 est.)

Farms – 2,218

Land in Farms – 472,446 Acres

Primary Source: Oklahoma Almanac 2007-2008

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY ASSESSOR

Randy Wintz

The County Assessor has the responsibility to appraise and assess the real and personal property within the county for the purpose of ad valorem taxation. Also, the County Assessor is required to compute the ad valorem taxes due on all taxable property. The County Assessor appraises all the taxable real and personal property according to its fair cash value for which the property is actually being used as of January 1 of the taxable year at the percentages provided for in Article 10, § 8 of the Oklahoma Constitution.

The County Assessor is required to build and maintain permanent records of the taxable real property and tax exempt real property within the county. Information entered on each record includes the property's legal description, owner's name and address, and the homestead exemption status of the owner.

COUNTY CLERK

Debbie Greenfield

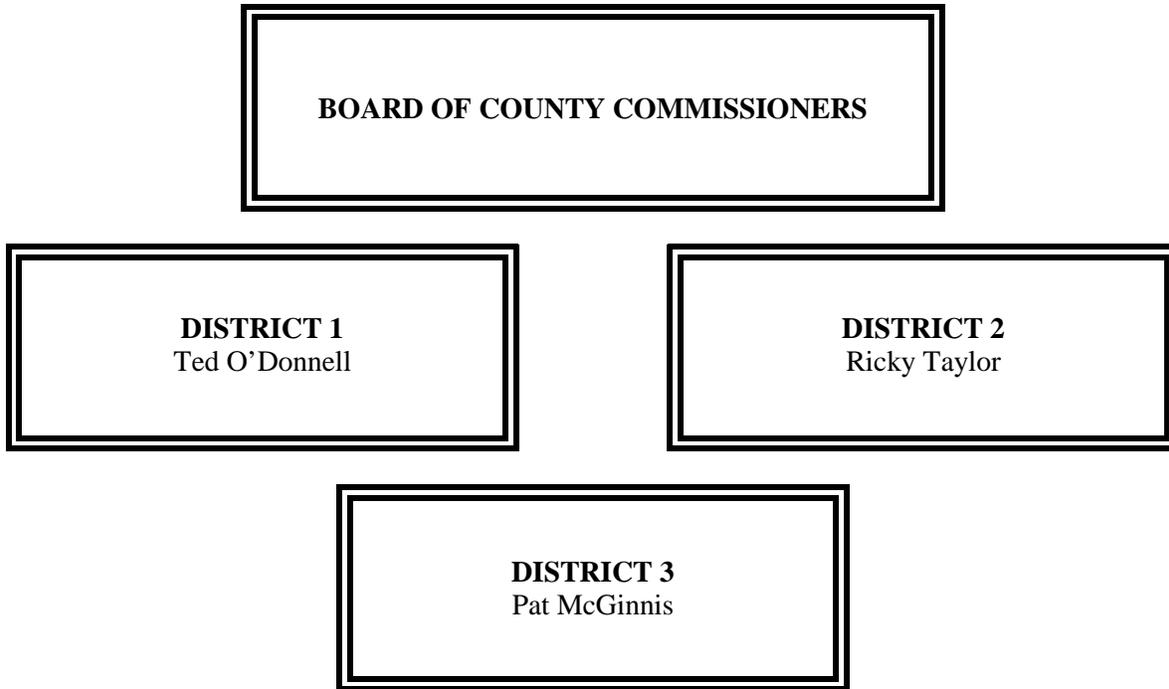
The County Clerk serves as the register of deeds and custodian of records for the county. The County Clerk also serves as the secretary to several boards, including the Board of County Commissioners, the County Excise Board, the County Board of Equalization, and the Board of Tax Roll Corrections.

The County Clerk reviews all the claims for payment of goods and services purchased or contracted by the county, and prepares the proper warrants for payment of those goods and services and the county payroll. The County Clerk, or his or her designated deputy, serves as the purchasing agent for the county. This system is a means to ensure the public that tax dollars are being spent appropriately.

Various records within the different county offices are classified as "open records." As such, they can be reviewed and mechanically copied by the public.

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**



The Board of County Commissioners is the chief administrative body for the county. County Commissioners are also responsible for maintaining and constructing the county roads and bridges.

The Commissioners must act as a Board when entering into contracts or other agreements affecting the county's welfare. Thus, actions taken by the Board are voted on and approved by a majority of the Commissioners. The Board of County Commissioners' business meetings are open to the public.

As the county's chief administrative body, the three County Commissioners must make major financial decisions and transactions. The Board has the official duty to ensure the fiscal responsibility of the other county officers who handle county funds. The review and approval procedures empowered to the Board of County Commissioners are a means to provide the public with a fiscally efficient system of county government.

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COUNTY SHERIFF
A.T. Brixley

The County Sheriff is responsible for preserving the peace and protecting life and property within the county's jurisdiction. As the county's chief law enforcement officer, the Sheriff has the power and authority to suppress all unlawful disturbances, to apprehend and secure persons charged with felony or breach of peace, and to operate the county jail.

The County Sheriff has the responsibility of serving warrants and processing papers ordered by the District Court.

COUNTY TREASURER
Babe Milam

All collections by county government from ad valorem taxes and other sources are deposited with the County Treasurer. The County Treasurer collects ad valorem taxes for the county and its political subdivisions. The County Treasurer is authorized to issue delinquent personal property tax warrants and to impose tax liens on real property for delinquent taxes.

To account for county collections and disbursements, the County Treasurer is required to maintain an accurate record of all the monies received and disbursed. The State Auditor and Inspector's Office prescribes all the forms used by the County Treasurer, and at least twice a year inspects the County Treasurer's accounts.

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

COURT CLERK
Cindy Kirby

The Court Clerk has the primary responsibility to record, file, and maintain as permanent records the proceedings of the District Court.

Court proceedings are recorded in the appropriate journal or record docket. All the court proceedings are public information except those related to juvenile, guardianship, adoption, and mental health cases.

The Court Clerk issues marriage licenses, passports, notary certificates, beer and pool hall licenses, and private process server licenses.

Monies from the court fund are identified for distribution by the Court Clerk to the appropriate units of county and state government. Court Clerks use forms and follow procedures prescribed by the Court Administrator's Office, the Oklahoma Supreme Court, and the State Auditor and Inspector.

DISTRICT ATTORNEY
Richard Smothermon

As the chief attorney for county government, the District Attorney acts as the legal advisor to the county officers on matters related to their duties. The District Attorney represents the county in civil litigation. County officials may call upon the District Attorney to clarify a law or request an official interpretation from the Attorney General.

See independent auditor's report.

**LINCOLN COUNTY OFFICIALS
AND RESPONSIBILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ELECTION BOARD SECRETARY
Melissa Stambaugh

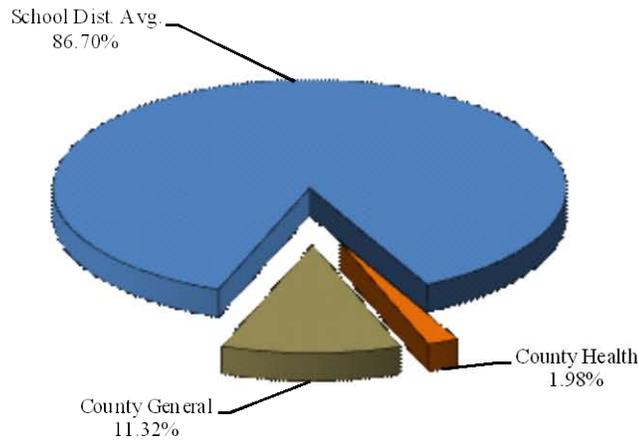
The Election Board Secretary is appointed by the State Election Board and is the chief administrative officer of the County Election Board. The County Election Board has direct responsibility for all the ballots used in all elections within the county. The Board also conducts all elections held within the county.

To finance the operation of the County Election Board, the County Excise Board must appropriate sufficient funds annually. The state and counties split the election costs, but counties must pay for any county elections not held concurrently with state elections.

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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



County-Wide Millages		School District Millages							
				Career					
				Gen.	Bldg.	Skg.	Tech	Common	Total
County General	10.36								
County Health	2.59	Chandler	I-1	36.29	5.18	17.75	15.58	4.14	78.94
		Davenport	I-3	35.96	5.14	22.83	13.33	4.14	81.40
		Wellston (Lincoln)	I-4	36.10	5.16	21.29	15.58	4.14	82.27
		Wellston (Logan)	I-4	36.67	5.25	21.29	15.58	4.14	82.93
		Stroud	I-54	35.84	5.12	11.37	13.33	4.14	69.80
		Meeker (Lincoln)	I-95	36.55	5.22	17.54	15.58	4.14	79.03
		Meeker (Pott)	I-95	36.28	5.18	17.54	15.58	4.14	78.72
		Prague (Lincoln)	I-103	36.40	5.20	19.21	15.58	4.14	80.53
		Prague (Pott)	I-103	36.62	5.23	19.21	15.58	4.14	80.78
		Carney	I-105	36.43	5.20	24.21	15.76	4.14	85.74
		Agra	I-134	36.91	5.27	18.18	15.76	4.14	80.26
		White Rock	D-5	36.75	5.25		15.58	4.14	61.72

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

Total net assessed value as of January 1, 2007		<u>\$ 133,075,414</u>
Debt limit - 5% of total assessed value		6,653,771
Total bonds outstanding	-	
Total judgments outstanding	-	
Less cash in sinking fund	<u>295</u>	<u>-</u>
Legal debt margin		<u>\$ 6,653,771</u>

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

	2008
Estimated population	32,311
Net assessed value as of January 1, 2007	\$ 133,075,414
Gross bonded debt	-
Less available sinking fund cash balance	295
Net bonded debt	\$ -
Ratio of net bonded debt to assessed value	0.00%
Net bonded debt per capita	\$ -

See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 (UNAUDITED)**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2007	\$24,011,575	\$31,018,295	\$86,983,060	\$8,937,516	\$133,075,414	\$1,209,776,491

See independent auditor's report.

FINANCIAL SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Independent Auditor's Report

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2008, listed in the table of contents as the basic financial statement. This financial statement is the responsibility of Lincoln County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared using accounting practices prescribed or permitted by Oklahoma state law, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lincoln County as of June 30, 2008, or changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash of Lincoln County for the year ended June 30, 2008, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2010, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined total of all funds within the basic financial statement taken as a whole. The combining information is presented for purposes of additional analysis rather than to present the receipts, disbursements, and cash balances of the individual funds. Also, the other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis, and is not a required part of the basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statement. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, except for the Comparative Schedule of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole. The budgetary information presented for the County Health Department Fund is not fairly stated in that estimated revenues were not adjusted to match the budgetary expenditures. The information listed in the table of contents under Introductory Section has not been audited by us, and accordingly, we express no opinion on it.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 2, 2010

Basic Financial Statement

**LINCOLN COUNTY, OKLAHOMA
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Beginning Cash Balances <u>July 1, 2007</u>	Receipts Apportioned	Disbursements	Ending Cash Balances <u>June 30, 2008</u>
Combining Information:				
County General Fund	\$ 354,632	\$ 1,988,922	\$ 1,838,878	\$ 504,676
Highway Cash	873,662	6,377,759	4,860,989	2,390,432
County Health	134,977	401,514	241,227	295,264
Courthouse Capital Outlay	35,432		35,432	
Courthouse Insurance Cash Fund Mgmt.	20,000			20,000
Assessor Visual Inspection	40			40
Sheriff Service Fee	65,472	224,024	175,900	113,596
County Clerk Lien Fee	71,421	54,936	14,450	111,907
Sheriff Dispatching	8,965	22,300	21,082	10,183
Free Fair	44,815	17,367	31,857	30,325
Sheriff Trash Dumping Fund	500			500
Resale Property	328,207	127,053	83,993	371,267
Sheriff Board Bills	4,397	9,114	8,242	5,269
Assessor Hardware Upgrade	479			479
Treasurer Certification Fee	24,031	7,927	5,096	26,862
CSSP-BB (Prisoners)	42,938	410,883	241,876	211,945
Safe Room Grant	488		488	
County Clerk Preservation Fee	99,613	64,672	96,567	67,718
County Use Tax	102,708	180,465	132,721	150,452
Kids First Grant	18,070			18,070
County Sales Tax	1,434,154	2,372,223	1,854,286	1,952,091
COEDD Grant	116,500		30,000	86,500
CDBG	1,575		1,575	
Courthouse Security	9,925	26,737	17,416	19,246
Assessor Revolving Fund	10,500	5,291	6,852	8,939
County Sinking	295			295
Sheriff Commissary	2,409			2,409
COPS Grant	15,732		15,732	
CSSP	221			221
Combined Total--All County Funds	<u>\$ 3,822,158</u>	<u>\$ 12,291,187</u>	<u>\$ 9,714,659</u>	<u>\$ 6,398,686</u>

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, 2008**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Counties were created by the Constitution of Oklahoma. One county officer is appointed; however, most county officers are locally elected by their constituents. All county powers are delegated by the state.

The accompanying basic financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds of Lincoln County, Oklahoma. The funds presented as line items are not a part of the basic financial statement, but have been included as supplementary information within the basic financial statement. These separate funds are established by statute, and their operations are under the control of the County officials. 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. The other funds presented account for financial resources whose use is restricted for specified purposes.

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 funds included as supplementary information within the financial statement:

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

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

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

Courthouse Capital Outlay – accounts for the collection of sales tax for the purpose of capital improvements to the courthouse.

Courthouse Insurance Cash Fund Management – accounts for money received from insurance for damage to the courthouse.

Assessor Visual Inspection – accounts for the collection of fees from all entities receiving ad valorem taxes and disbursements for the purpose of re-valuation of all county property.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

Sheriff Dispatching – accounts for the collection and disbursement of monies received by the Sheriff's office from entities such as towns, fire districts, Indian tribes, etc., and used in any lawful sheriff expenditure.

Free Fair – accounts for rental revenues from the fair park and is used for the maintenance and operation of the fair park.

Sheriff Trash Dumping Fund – accounts for fines collected for illegal dumping and is disbursed as rewards for information on illegal dumping.

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

Sheriff Board Bills – accounts for the monies received from other governments for the boarding and feeding of prisoners and for service fees received for transportation of inmates. Disbursements are for the operation of the jail.

Assessor Hardware Upgrade – revenues are from state funds. Disbursements are to provide the County Assessor's office with new hardware equipment.

Treasurer Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursements of the funds as restricted by statutes.

Community Service Sentencing Program-BB (CSSP-BB Prisoners) – accounts for the collection and disbursement of money supplied to the Sheriff's office for the housing of prisoners for towns, tribes and other counties. This money can be used for any lawful sheriff expenditure.

Safe Room Grant – accounts for grant funds received from the Federal Emergency Management Agency. Disbursements are made to individuals for safe room projects.

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the Registrar of Deeds as restricted by statute for preservation of records.

County Use Tax – accounts for the collection and disbursement of monies received from the State of Oklahoma for counties that have a county use tax.

Kids First Grant – accounts for revenues received from a state grant. Disbursements are used to pay for computers and the salary of the coordinator for an afterschool program.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

County Sales Tax – accounts for the collection of a county-wide sales tax and disbursements as described in footnote 9.

COEDD Grant – revenue is from the State’s REAP grants. Disbursements are for the purpose as described in the REAP grant application.

CDBG (Community Development Block Grant) – accounts for federal grant monies received. Disbursements are for the project as outlined in the grant agreement.

Courthouse Security – accounts for the fees collected by the Court Clerk and distributed to the Sheriff. Disbursements are used for security of the courthouse (i.e. security officer salary and security cameras).

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

County Sinking – revenues are from prior year’s ad valorem taxes. The County has no outstanding long-term debt. The fund balance will eventually be transferred to the general fund.

Sheriff Commissary – revenue is from profits from commissary sales to county prisons. Disbursements are for jail operations, administering the commissary, travel or capital outlay.

COPS Grant – accounts for the revenue from a federal grant. Disbursements are for the employ of additional deputies.

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

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.

C. Basis of Accounting

The basic 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 cash basis financial presentation is not a comprehensive measure of economic condition or changes therein.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

For the highway funds and other funds, which are not required to adopt a formal budget, appropriations are made on a monthly basis, according to the funds then available.

E. Cash

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).

F. Investments

The County Treasurer has been authorized by the County's governing board to make investments. By statute (62 O.S. § 348.1 and § 348.3), the following types of investments are allowed:

- U.S. Government obligations
- Certificates of deposit
- Savings accounts
- G.O. bonds issued by counties, municipalities or school districts
- Money judgments against counties, municipalities or school districts
- Bonds and revenue notes issued by a public trust when the beneficiary of the trust is a county, municipality or school district
- Negotiable certificates of deposit
- Prime bankers acceptance which are eligible for purchase by the Federal Reserve System
- Prime commercial paper with a maturity of 180 days or less
- Repurchase agreements
- Money market funds regulated by the Securities and Exchange Commission and which investments consist of the above-mentioned types of investments

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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.

G. Compensated Absences

Employees with 1 to 5 years of service earn 10 days of annual leave per year; 6 to 10 years of service earn 15 days of annual leave per year; and over 10 years of service earn 18 days of annual leave per year. Annual accruals are limited to 5 days. Employees are paid for annual leave upon separation of employment from the County.

All full-time Lincoln County employees accrue sick leave at the rate of 8 hours for each calendar month of service. Sick leave may be accrued up to a maximum of 30 days. Employees are not paid for sick leave upon separation of employment from the County.

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."

The assessed property value as of January 1, 2007, was approximately \$133,075,414.

Per Article 10, § 8A, with the repeal of personal property tax, the millages with the adjustment factor are 10.36 mills (the legal maximum) for general fund operations and 2.59 mills for county health department. In addition, the County collects the ad valorem taxes assessed by cities and towns and school districts and remits the ad valorem taxes collected to the appropriate taxing units.

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

Current year tax collections for the year ended June 30, 2008, were approximately 96.32 percent of the tax levy.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

3. Fuel Tax

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the county highway fund.

4. Risk Management

The County is exposed to the various risks of loss shown in the following table:

Types of Loss	Method of Management	Risk of Loss Retained
General Liability <ul style="list-style-type: none"> • Torts • Errors and Omissions • Law Enforcement Officers' Liability • Vehicle 	The County carries commercial insurance. (See Argonaut Insurance Group.)	The amount of the County's deductible, which is \$5,000 for general liability.
Physical Plant <ul style="list-style-type: none"> • Theft • Damage to Assets • Natural Disasters 	The County carries commercial insurance (See Great American Insurance.)	The amount of the County's deductible, which is \$10,000 for physical plant.
Employee <ul style="list-style-type: none"> • Medical • Disability • Dental • Life 	The County participates in the Oklahoma Public Employees Health and Welfare Plan. (See OPEH&WP.)	If claims exceed pool assets, the members have surcharges assessed to pay the excess claims.

Argonaut Insurance Group - The County obtains commercial insurance coverage to pay general liability. The County has a \$5,000 deductible for general liability. There have been no significant reductions in coverage from the prior fiscal year.

Great American Insurance - The County obtains commercial insurance coverage to pay physical plant. The County has a \$10,000 deductible for physical plant. There have been no significant reductions in coverage from the prior fiscal year.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

OPEH&WP – The County has entered into an interlocal agreement with other governmental entities to participate in a pooled self-insurance fund to provide insurance coverage. The pool provides for surcharges to be assessed for claims in excess of pool assets to offset pool deficits. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year. Settled claims have not exceeded insurance coverage for each of the past three fiscal years. There have been no significant reductions in coverage from the prior fiscal year.

5. Long-term Obligations

Capital Leases

The County acquires road machinery and equipment through lease-purchase agreements financed by the Oklahoma Department of Transportation and/or the equipment vendors or their assignees pursuant to the provisions of 69 O.S. § 636.1 through § 636.7. Lease agreements entered into with the Oklahoma Department of Transportation (ODOT) are interest free, but have a one-time fee of 3% on all pieces of machinery acquired.

6. 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. County employees are required to contribute between 3.5% and 8.5% of earned compensation. The County contributes between 8.5% and 13.5% of earned compensation. Elected officials could contribute between 4.5% and 10% of their entire compensation. The County contributes 13.5% of earned compensation for elected officials. The County's contributions to the Plan for the years ending June 30, 2008, 2007, and 2006, were \$519,925, \$328,714, and \$304,686, respectively, equal to the required contributions for each year.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

7. 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.

8. 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.

9. Sales Tax

In 1998, the citizens of Lincoln County approved a one-cent county-wide sales tax to go into effect January 1, 1999, for a duration of five years. On April 1, 2003, Lincoln County voters approved extending the sales tax for another five years. The sales tax revenues received are designated for the following uses with money over capped amounts to go into the Lincoln County Courthouse Capital Outlay Fund:

59%	County road and bridge improvements
13%	Lincoln County Jail
7%	Lincoln County Extension Center (capped at \$82,950)
7%	Lincoln County Fire Departments
6%	Senior Citizens Nutrition
2.5%	Lincoln County Free Fair
2.5%	Economic Development
2%	Emergency Managements, Lincoln County Safety Office and Flood Plains Manager (capped at \$23,700)
1%	Lincoln County Courthouse Improvement Fund

OTHER SUPPLEMENTARY INFORMATION

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 354,632	\$ 354,632	\$ 354,632	-
Less: Prior Year Outstanding Warrants	(67,128)	(67,128)	(67,128)	
Less: Prior Year Encumbrances	(28,504)	(28,504)	(26,040)	(2,464)
Beginning Cash Balances, Budgetary Basis	<u>259,000</u>	<u>259,000</u>	<u>261,464</u>	<u>(2,464)</u>
Receipts:				
Ad Valorem Taxes	1,253,328	1,253,328	1,397,695	144,367
Charges for Services	200,456	200,456	197,131	(3,325)
Intergovernmental Revenues	232,478	232,478	227,527	(4,951)
Miscellaneous Revenues	126,955	127,319	166,569	39,250
Total Receipts, Budgetary Basis	<u>1,813,217</u>	<u>1,813,581</u>	<u>1,988,922</u>	<u>175,341</u>
Expenditures:				
District Attorney	5,500	5,500	5,497	3
Total District Attorney	<u>5,500</u>	<u>5,500</u>	<u>5,497</u>	<u>3</u>
County Sheriff	513,400	513,400	513,244	156
Total County Sheriff	<u>513,400</u>	<u>513,400</u>	<u>513,244</u>	<u>156</u>
County Treasurer	159,500	159,500	148,006	11,494
Total County Treasurer	<u>159,500</u>	<u>159,500</u>	<u>148,006</u>	<u>11,494</u>
County Clerk	201,684	203,014	202,795	219
Capital Outlay	2,000	670	670	
Total County Clerk	<u>203,684</u>	<u>203,684</u>	<u>203,465</u>	<u>219</u>
Court Clerk	122,424	122,424	100,540	21,884
Total Court Clerk	<u>122,424</u>	<u>122,424</u>	<u>100,540</u>	<u>21,884</u>
County Assessor	133,124	133,124	131,398	1,726
Capital Outlay	250	250	185	65
Total County Assessor	<u>133,374</u>	<u>133,374</u>	<u>131,583</u>	<u>1,791</u>

continued on next page

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

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, 2008

continued from previous page

	Original Budget	Final Budget	Actual	Variance
Revaluation of Real Property	213,736	213,736	166,105	47,631
Total Revaluation of Real Property	213,736	213,736	166,105	47,631
General Government	618,512	618,576	567,748	50,828
Total General Government	618,512	618,576	567,748	50,828
Excise-Equalization Board	3,000	3,000	2,252	748
Total Excise-Equalization Board	3,000	3,000	2,252	748
County Election Board	62,430	60,880	60,901	(21)
Capital Outlay	1,000	2,850	2,844	6
Total County Election Board	63,430	63,730	63,745	(15)
Civil Defense	22,350	22,350	20,250	2 100
Total Civil Defense	22,350	22,350	20,250	2,100
County Audit Budget Account	13,307	13,307	2,715	10 592
Total County Audit Budget Account	13,307	13,307	2,715	10,592
 Total Expenditures, Budgetary Basis	 2,072,217	 2,072,581	 1,925,150	 147,431
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	 \$ -	 \$ -	 325,236	 \$ 325,236
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			30,520	
Add: Current Year Outstanding Warrants			148,920	
Ending Cash Balance			<u>\$ 504,676</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**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, 2008**

	County Health Department Fund			
	Original	Final	Actual	Variance
	Budget	Budget		
Beginning Cash Balances	\$ 134,977	\$ 134,977	\$ 134,977	\$ -
Less: Prior Year Outstanding Warrants	(356)	(356)	(356)	
Less: Prior Year Encumbrances	(13,002)	(13,002)	(8,715)	4,287
Beginning Cash Balances, Budgetary Basis	<u>121,619</u>	<u>121,619</u>	<u>125,906</u>	<u>4,287</u>
Receipts:				
Ad Valorem Taxes	344,664	344,664	349,424	4,760
Charges for Services		51,692	51,942	250
Intergovernmental Revenues			82	82
Miscellaneous Revenues			66	66
Total Receipts, Budgetary Basis	<u>344,664</u>	<u>396,356</u>	<u>401,514</u>	<u>5,158</u>
Expenditures:				
Health & Welfare	413,300	464,992	281,619	183,373
Capital Outlay	21,650	21,650		21,650
Total Expenditures, Budgetary Basis	<u>434,950</u>	<u>486,642</u>	<u>281,619</u>	<u>205,023</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ 31,333</u>	<u>\$ 31,333</u>	245,801	<u>\$ 266,160</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Add: Current Year Encumbrances			9,699	
Add: Current Year Outstanding Warrants			39,764	
Ending Cash Balance			<u>\$ 295,264</u>	

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
DETAILED SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES—SINKING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Beginning Cash Balance	<u>\$ 295</u>
Receipts:	
Total Receipts	<u>-</u>
Disbursements:	
Total Disbursements	<u>-</u>
Ending Cash Balance	<u><u>\$ 295</u></u>

The accompanying notes to the other supplementary information are an integral part of this schedule.
See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. Budgetary Schedules

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

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

2. Sinking Fund Schedule

Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. The County has no outstanding bonded debt or judgments. The balance will eventually be transferred to the general fund unless future debt is incurred.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through Oklahoma Office of Homeland Security:			
Law Enforcement Terrorism Prevention Program	97.074	35.370	\$ 4,227
Passed through Oklahoma Department of Emergency Management:			
Disaster Grants - Public Assistance #1707 Flood	97.036		46,532
Disaster Grants - Public Assistance #1712 Flood	97.036		325,651
Disaster Grants - Public Assistance #1735 Pilot Program			
Severe Winter Storm	97.036		158,162
Total CFDA #97.036			530,345
Emergency Management Performance Grants	97.042		17,300
Total U.S. Department of Homeland Security			551,872
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Public Safety Partnership and Community Policing Grants (COPS)	16.710	2005-UM-WX-0015	51,952
Total U.S. Department of Justice			51,952
Total Expenditures of Federal Awards			\$ 603,824

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**LINCOLN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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*.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited the combined totals—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2008, which comprises Lincoln County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated March 2, 2010. Our report on the basic financial statement was adverse because the statement is not a presentation in conformity with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2008-1, 2008-3, 2008-6, 2008-9, 2008-10, and 2008-11 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2008-2.

We noted certain matters 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 the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Lincoln County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of Lincoln County and should not be used 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 2, 2010

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

Compliance

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 are applicable to each of its major federal programs for the year ended June 30, 2008. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln County's management. 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.

In our opinion, Lincoln County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-12.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and that we consider to be a material weakness.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-13 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost to be a material weakness.

Lincoln County's response 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 response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of Lincoln County and should not be used 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.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

March 2, 2010

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 that are not considered to be material weaknesses?..... Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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?..... Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance

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, 2008**

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 2008-1 - Segregation of Duties (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: The County Treasurer's office has three deputies that can perform all the accounting functions; however, there is no formal segregation of duties because the County Treasurer reconciles the official depository account to balances generated by her office and also prepares and reviews vouchers for the same account.

A lack of segregation of duties exists in the County Clerk's office because three deputies all open the mail, write the receipts, balance their cash drawers to daily receipts, prepare and take deposits to the bank, post deposits to the cash book, and balance the account at month end to the Treasurer's balance. Further, one of these deputies can also prepare the vouchers and post the vouchers to the cash book.

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

Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

1. All computers (2 at counter and 1 at each desk) are equipped with a cash register validator and cash box. At the beginning of a transaction in the cash register, the deputy must log in on that station before entering any data. At the completion of transaction(s), deputy logs off. The money for any transaction completed at a particular station must be placed in the cash box for that station. At the end of the day, a deputy closes out the station by counting the money and balancing it with the reports for that station. Usually, the same person closes out the counter stations. To correct this problem, we will rotate persons closing out counter stations.
2. The bookkeeper balances all receipts from each deputy and prepares the deposit. The Treasurer takes the deposit to the bank.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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3. The bookkeeper has reconciled the bank statements in the past; however, to be compliant the Treasurer will now reconcile the bank statements. On the rare occasion that the bookkeeper does tax receipts, the Treasurer will check the deposit.

I have a small office, but I will do the best I can to correct the problem. If there is anything else I may do please call me.

Finding 2008-2 – Under-collateralized (Repeat Finding)

Criteria: Title 62 O.S. § 517.4.A. states:

A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

Condition: During the month of December 2007, the County was under-collateralized \$1,527,546.03.

Effect: By being under-collateralized, not only is the County Treasurer in violation of state statutes, but there is an increased risk of losing county funds if a bank were to default.

Recommendation: OSAI recommends the County Treasurer monitor county pledges routinely to ensure deposits are adequately secured and verify market values of pledged securities are adequate to secure County deposits at all the County's depository banks.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

The bookkeeper and I check the Daily Ledger daily to assure we are not under-collateralized. If we see that we need more collateral, I contact the bank immediately.

Finding 2008-3 – Bank Reconciliations (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the County Treasurer should reconcile bank balances to the general ledger on a monthly basis. Reconciliations should then be reviewed and approved by someone other than the preparer.

Condition: There was no indication that the bank statement reconciliations had been reviewed by someone other than the preparer.

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Effect: By failing to have reconciliations reviewed by someone other than the preparer, misstatements may not be detected in a timely manner.

Recommendation: OSAI recommends someone other than the preparer review the reconciliations to ensure they are being performed properly and are free of errors. All reconciling items need to be investigated and resolved.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

The bookkeeper has reconciled the bank statements in the past; however, to be compliant the Treasurer will now reconcile the bank statements. On the rare occasion that the bookkeeper does tax receipts, the Treasurer will check the deposit.

I have a small office, but I will do the best I can to correct the problem. If there is anything else I may do please call me.

Finding 2008-6 – Apportionment of Motor Vehicle Collections (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, oversight should be used to ensure collections are apportioned to the proper funds.

Condition: Since December 2005, the Treasurer's office has been apportioning the Motor Vehicle Collections for County Government monies into the Highway Fund instead of the General Fund. The amount incorrectly apportioned for fiscal year 2008 was \$34,059.50.

Effect: The General Fund was under apportioned and the Highway Fund was over apportioned.

Recommendation: OSAI recommends the monies from the Motor Vehicle Collections for County Government be deposited into the General Fund.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

This was corrected April 9, 2009, upon finding the error.

Finding 2008-9 – Timesheets

Criteria: Effective accounting practices and procedures include the submission of employee timesheets each pay period, that at a minimum include the day of the week and date of each day worked, the hours worked each day, and leave used each day. Additionally, effective accounting procedures require

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signatures of the employee and the supervisor/county official certifying the validity of the hours worked and approving the hours worked and leave used.

Condition: Based on our examination of time records, it was noted that the Safety Director, Floodplain Director, and Emergency Director had not filled out timesheets since October 2007.

Effect: Inadequate documentation of the employee's time could result in improprieties in the accounting and payments of payroll funds.

Recommendation: OSAI recommends all County employees be required to complete standardized timesheets, which reflect hours worked, annual leave, sick leave, and over time accrued. Additionally, the employee and the County official approving the time reported should sign the timesheets.

Views of responsible officials and planned corrective actions: Management chose not to respond.

Finding 2008-10 – Passwords

Criteria: In Control Objectives for Information and related Technology (COBIT) Delivery and Support 5.4, there is outlined a procedure for ensuring security for applications. This security also involves the complexity of passwords. Passwords should be alpha numeric, including special characters and at least six characters in length. There should be some form of enforced complexity and change at specified intervals. The recommended interval is once every six months.

Condition: Passwords are not set to expire and are only five characters in length.

Effect: This condition could allow for unauthorized access to the office's information systems, resulting in the possible loss and corruption of recorded information.

Recommendation: OSAI recommends that passwords are changed at regular intervals and are a minimum of eight characters in length.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

Passwords will be changed every six months from this date forward; however, we are unable to make passwords eight characters in length due to the current computer program we have. Our computer tech said it would be a major undertaking and expense to change the number of characters in the password to six characters; however, the new passwords are 5 characters and include alpha numeric and special characters.

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Finding 2008-11 – IT Strategic Plan

Criteria: COBIT PC5 Policy, Plans and Procedures states, “Define and communicate how all policies, plans and procedures that drive an IT process are documented, reviewed, maintained, approved, stored, communicated and used for training. Assign responsibilities for each of these activities and, at appropriate times, review whether they are executed correctly. Ensure that the policies, plans and procedures are accessible, correct, understood and up to date.”

COBIT PO1 states, “Define a Strategic IT Plan that satisfies the business requirement for IT of sustaining or extending the business strategy and governance requirements whilst being transparent about benefits, costs and risks.”

Condition: The County Clerk does not have written policies describing appropriate use of county office computer equipment. The County Clerk and Treasurer do not have a strategic plan for meeting information system needs of the County.

Effect: Improper use of county computer equipment and/or failure to meet the information system needs of the County could result from the current conditions.

Recommendation: OSAI recommends that management develop written procedures describing appropriate use of county office computer equipment. In addition, a strategic plan for meeting information system needs of the County should be developed.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

I will develop a strategic plan for meeting information system needs of the County and appropriate use of county office computer equipment.

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SECTION 3—Findings related to the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

Finding 2008-12 – Procurement, Suspension, and Debarment

FEDERAL AGENCY: U.S. Department of Homeland Security
CFDA NO: 97.036
FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance
FEDERAL AWARD NUMBER: PA-17
FEDERAL AWARD YEAR: 2008
CONTROL CATEGORY: Procurement, Suspension, and Debarment
QUESTIONED COSTS: N/A

Criteria: The OMB Circular A-133 Compliance Supplement for March 2008 states:

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition: The County did not check the *Excluded Parties List System* to see if any of the contractors used for a federally funded project were suspended or debarred.

Effect: The County is not in compliance with grant requirements and could be contracting with a company that has been suspended or debarred.

Recommendation: OSAI recommends the County check the *Excluded Parties List System* before contracting with a company for a federally funded project.

Views of responsible officials and planned corrective actions: Management chose not to respond.

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Finding 2008-13 – Segregation of Duties

FEDERAL AGENCY: U.S. Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants – Public Assistance

FEDERAL AWARD NUMBER: PA-17

FEDERAL AWARD YEAR: 2008

CONTROL CATEGORY: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Level of Effort, and Earmarking, and Period of Availability

QUESTIONED COSTS: N/A

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: Districts 1, 2, and 3 have one employee that compiles and maintains the FEMA records for their District. It was noted that an independent review is not performed to ensure records are complete and accurate.

Effect: This could result in misappropriation of federal funds received by the County for disaster recovery projects.

Recommendation: OSAI recommends the County delegate duties to more than just one employee to maintain records for federal projects. The most effective controls lie in management's overseeing and periodic review of grant records.

Views of responsible officials and planned corrective actions: Management chose not to respond.

SECTION 4—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards* or OMB A-133. 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 2008-4 – OPERS (Repeat Finding)

Criteria: Title 74 O.S. § 925 states:

All employees of participating employers who are eligible or may hereafter become eligible to be members of the system as provided by this act shall, as a condition of continuing employment or as a condition of obtaining employment with a participating employer, become members of the system.

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Also, 74 O.S. § 902(14) states in part:

"Employee" means any officer or employee of a participating employer, whose employment is not seasonal or temporary and whose employment requires at least one thousand (1,000) hours of work per year and whose salary or wage is equal to the hourly rate of the monthly minimum wage for state employees...

Condition: OSAI noted seven employees who were not classified as seasonal or temporary and worked more than 1,000 hours in a one-year period and had not been reported as employees eligible to be members of OPERS. The employees worked 1,890.5 hours, 1,853 hours, 1,657 hours, 1,499.5 hours, 2,092 hours, 1,748 hours, and 2,224 hours, respectively, and were not treated as participants in OPERS.

Effect: Appropriate contributions are not being made for employees eligible for OPERS benefits.

Recommendation: OSAI recommends the County contact OPERS regarding the status of benefits to which these employees were eligible.

Views of responsible officials and planned corrective actions: Management chose not to respond.

Finding 2008-5 – Lack of Inventory (Repeat Finding)

Criteria: Title 19 O.S. § 178.1 states in part:

The board of county commissioners in each county of this state shall take, or cause to be taken, an inventory of all working tools, apparatus, machinery and equipment belonging to the county or leased or otherwise let to it or to any department thereof, other than that which is affixed to and made a part of lands and buildings, the cost of which as to each complete working unit thereof is more than Five Hundred Dollars (\$500.00), and thereafter maintain or cause to be maintained a continuous inventory record thereof and of like tools, apparatus, machinery and equipment purchased, leased, or otherwise coming into custody of the county or of any office, board, department, commission or any or either thereof, and the disposition thereof whether sold, exchanged, leased, or let where authorized by statute, junked, strayed or stolen, and biennially thereafter...

Title 19 O.S. § 1502.A.1.b.(2) states:

An inventory system shall be administered for all supplies and materials of a county purchased in lots of Five Hundred Dollars (\$500.00) or more for use in the construction and maintenance of roads and bridges.

Condition: OSAI noted that the equipment inventory lists for District 1 were not up-to-date and an accurate inventory record was not on file with the County Clerk's office. Fourteen items on the list were not located and eleven items we observed were not on the inventory list. We were also unable to locate consumable inventory records.

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The County Commissioner's Office in the Court House did not have an inventory list of all equipment.

The equipment listings for the Sheriff, County Clerk, and Assessor were not all inclusive and the listing for the Sheriff was not filed with the County Clerk.

The equipment listings for the Assessor, County Clerk, and the Treasurer did not include the date acquired, cost, or identifying number for all equipment.

Equipment transferred from the Treasurer to the Sheriff was done without a resolution.

Effect: The lack of an accurate inventory record could result in unrecorded transactions and/or misappropriation of assets.

Recommendation: OSAI recommends the Board of County Commissioners cause to be taken a biennial inventory and a continuous inventory thereof of all working tools, apparatus, machinery, and equipment belonging to the County. We also recommend that these inventories be documented and filed with the County Clerk. OSAI also recommends management take steps to ensure that consumable inventory records are maintained and updated on a daily basis.

Views of responsible officials and planned corrective actions:

Kathy Sherman, Lincoln County Treasurer

A resolution was done 2-20-09 for the property transferred to the Sheriff's Office. Our inventory records are currently up to date and include required information.

Current Commissioner District 1, Don Sporleder

New management will correct the situation. A current and accurate inventory record of equipment and consumables will be established, maintained throughout the year and also filed with the County Clerk.

Finding 2008-7 – Estimate of Needs

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity's adopted budget.

Title 68 O.S. § 3017 states in part:

When the excise board shall have ascertained the total assessed valuation of the property taxed ad valorem in the county and in each municipal subdivision thereof, and shall have computed the total of the several items of appropriation for general fund, sinking fund, and other legal purposes for the county and each municipal subdivision thereof, said board shall then proceed to compute the levy for each fund of each municipality. The procedure for the computation of such levies shall be as follows: and...

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Sixth: Compute the reduction in levy necessary to be made because of monies required by law to be used for the purpose of reducing ad valorem tax levies.

Condition: During our examination of the Estimate of Needs for the Health Fund, it was noted revenues exceeded the expenditures by \$31,333 for the Original Budget and Final Budget.

Also, the warrants issued per the Estimate of Needs for T-1a personal services does not agree to the appropriation ledger. The warrants issued per the Estimate of Needs were \$2,192,016.18 and the warrants issued per the appropriation ledger were \$1,866,260.13.

Effect: This condition results in an incomplete and/or incorrect Estimate of Needs and tax levy being approved.

Recommendation: OSAI recommends the County review the Estimate of Needs prior to approval to ensure that all amounts are accurately presented and a balanced budget is adopted.

Views of responsible officials and planned corrective actions: Management chose not to respond.

Finding 2008-8 – Expenditures in Excess of Appropriations

Criteria: Title 62 O.S. § 310.2 states:

No purchase order shall be paid until approved by the officer, board or commission having charge of the office or department for which the appropriation is available and from which such payment is proposed to be made, provided that no indebtedness for any purpose shall be incurred in excess of the appropriation for that purpose...

Condition: During the examination of the 2007-2008 Estimate of Needs, it was noted that \$21 in expenditures were incurred in excess of appropriations for the County Election Board.

Effect: This condition results in expenditures in excess of appropriations.

Recommendation: OSAI recommends the County expenditures not exceed budgeted appropriations of the General Fund.

Views of responsible officials and planned corrective actions: Management chose not to respond.

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Finding 2008-14 – Segregation of Duties – Official Depository (Repeat Finding)

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Condition: Official depository accounts are not reported on the basic financial statement; however, a lack of segregation of duties exists with regards to the management of the following accounts:

In the County Assessor's office, with respect to official depository accounts, one deputy receives money, balances the cash drawer to daily receipts, prepares the deposit slip, takes deposits to the bank/Treasurer, and certifies the receipt of goods and services. Another deputy receives money, posts receipts to the official depository ledger, reconciles to the Treasurer, authorizes purchases, and prepares claims.

In the County Sheriff's office, with respect to official depository accounts, two deputies each open the mail, write the receipts, balance the cash drawer to daily receipts, prepare and take deposits to the bank, post deposits to the cash book, and balance the account at month end to the Treasurer's balance. Further, the same deputies each prepare the vouchers, sign the vouchers, post the vouchers to the cash book, and mail the vouchers for this account.

In the Election Board office, with respect to official depository accounts, the Secretary writes all the receipts, takes deposits to the bank, posts deposits to the cash book, and balances the account at month end to the Treasurer's balance. Further, the Secretary also prepares the vouchers, signs the vouchers, posts the vouchers to the cash book, and mails the vouchers for this account.

In the County Health Department, with respect to official depository accounts, one employee opens the mail, prepares the deposit slip, takes deposits to the bank/Treasurer, posts to the official depository ledger and reconciles the account to the Treasurer's balance, prepares customer billings, and posts customer payments to the account. Further, the same employee also prepares the vouchers, signs the vouchers, posts the vouchers to the cash book, and mails the vouchers for this account.

In the Court Clerk's office, with respect to official depository accounts, one deputy opens the mail, writes the receipts, balances the cash drawer to daily receipts, prepares and takes deposits to the bank, and posts deposits to the cash book.

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

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Recommendation: OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's overseeing of office operations and a periodic review of operations.

Views of responsible officials and planned corrective actions: Management chose not to respond.



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