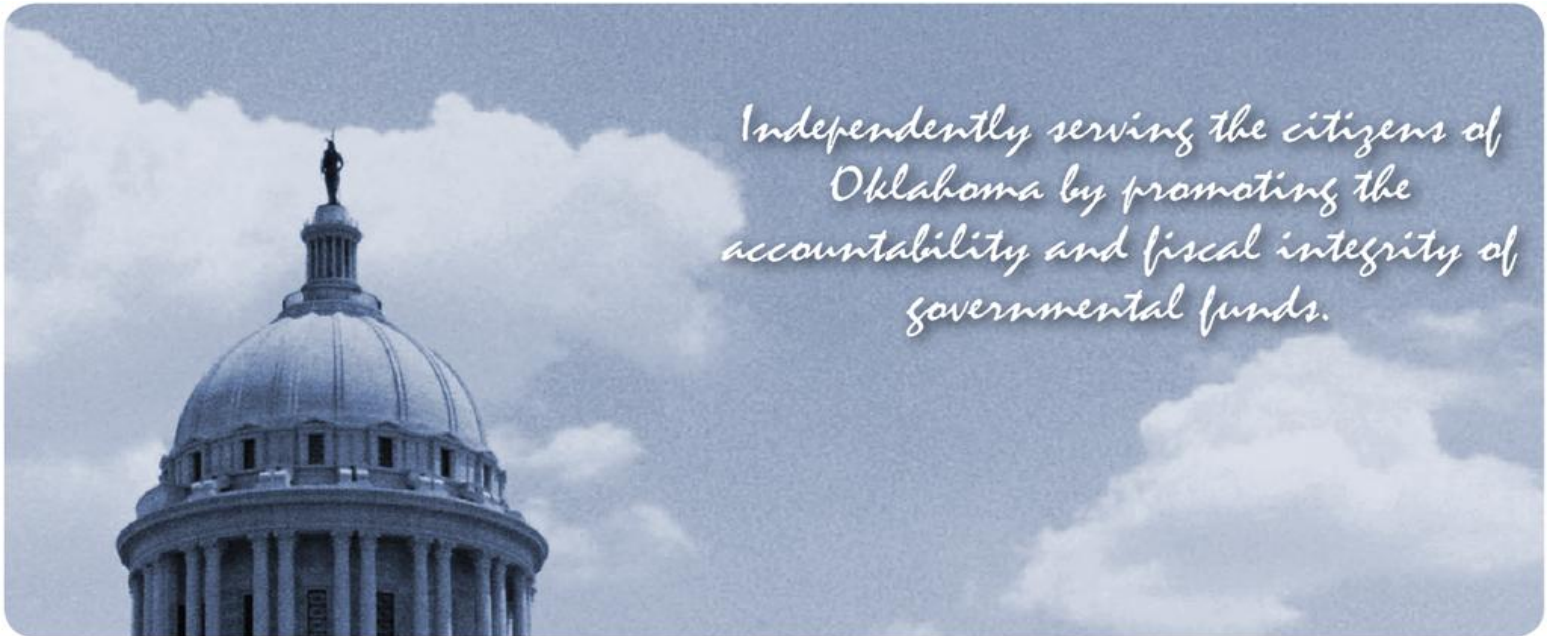


COUNTY AUDIT

LINCOLN COUNTY

For the fiscal year ended June 30, 2014



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

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

January 27, 2016

TO THE CITIZENS OF
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma for the fiscal year ended June 30, 2014. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", is written over a horizontal line.

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

**LINCOLN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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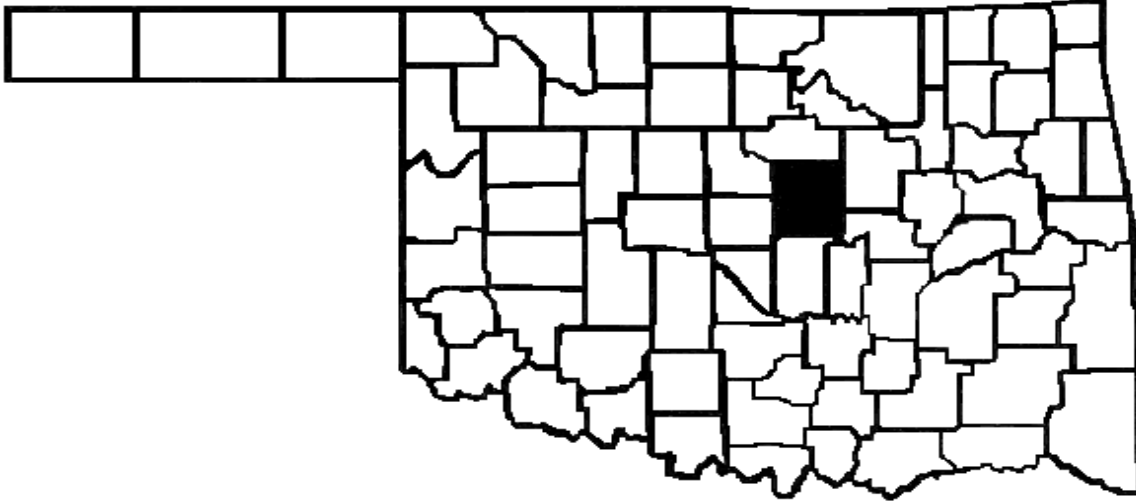
LINCOLN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION
UNAUDITED INFORMATION ON PAGES iii - ix
PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**LINCOLN COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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

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

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

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

County Seat – Chandler

Area – 965.62 Square Miles

County Population – 34,189
(2012 est.)

Farms – 2,300

Land in Farms – 487,858 Acres

Primary Source: Oklahoma Almanac 2013-2014

**LINCOLN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Board of County Commissioners

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

County Assessor

Randy Wintz

County Clerk

Debbie Greenfield

County Sheriff

Charlie Dougherty

County Treasurer

Kathy Sherman

Court Clerk

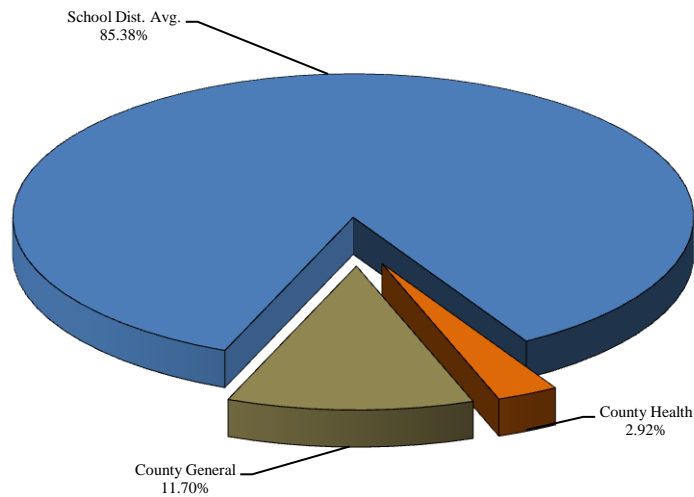
Cindy Kirby

District Attorney

Richard Smothermon

**LINCOLN COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

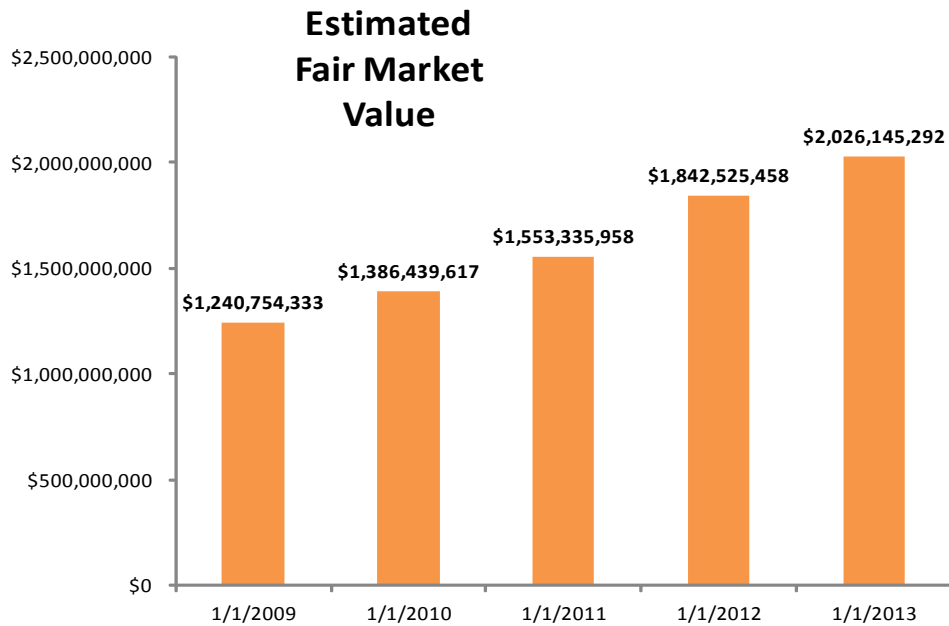
Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the 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			
County General	10.36		Gen.	Bldg.	Skg.	Tech	Common	Total	
County Health	2.59	Chandler	I-1	36.29	5.18	17.51	15.58	4.14	78.70
		Davenport	I-3	35.96	5.14	20.18	13.33	4.14	78.75
		Wellston (Lincoln)	I-4	36.10	5.16	16.46	15.58	4.14	77.44
		Wellston (Logan)	I-4	36.76	5.25	16.46	15.58	4.14	78.19
		Stroud	I-54	35.84	5.12	5.31	13.33	4.14	63.74
		Meeker (Lincoln)	I-95	36.55	5.22	11.50	15.58	4.14	72.99
		Meeker (Pott)	I-95	36.28	5.18	11.50	15.58	4.14	72.68
		Prague (Lincoln)	I-103	36.40	5.20	23.04	15.58	4.14	84.36
		Prague (Pott)	I-103	36.62	5.23	23.04	15.58	4.14	84.61
		Carney	I-105	36.43	5.20	22.48	15.76	4.14	84.01
		Agra	I-134	36.91	5.27	21.21	15.76	4.14	83.29
		White Rock	D-5	36.75	5.25	7.47	15.58	4.14	69.19
		Perkins-Tryon	I-56	37.00	5.29	25.23	15.76	4.14	87.42
		Cushing	I-67	36.13	5.16	16.11	13.33	4.14	74.87
		Luther	SD#3	35.97	5.14	13.68	15.99	4.14	74.92
		Harrah	SD#7	36.11	5.16	10.02	15.99	4.14	71.42
		Oak Grove	C-104	36.23	5.18	5.72	13.33	4.14	64.60
		McCloud	I-1	36.39	5.20	9.98	15.58	4.14	71.29
		Paden	I-14	35.00	5.00	4.53	15.58	4.14	64.25

**LINCOLN COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

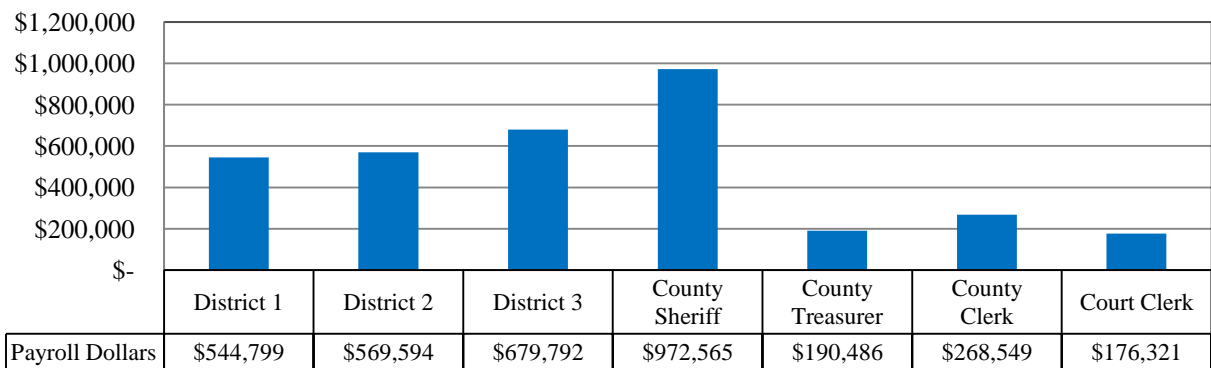
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$68,020,946	\$78,126,002	\$106,422,310	\$9,431,823	\$243,137,435	\$2,026,145,292
1/1/2012	\$49,207,940	\$65,992,017	\$115,240,562	\$9,337,464	\$221,103,055	\$1,842,525,458
1/1/2011	\$28,454,351	\$57,460,186	\$109,804,617	\$9,318,839	\$186,400,315	\$1,553,335,958
1/1/2010	\$30,759,185	\$44,796,383	\$100,166,243	\$9,349,057	\$166,372,754	\$1,386,439,617
1/1/2009	\$28,621,111	\$33,962,339	\$95,830,653	\$9,148,087	\$149,266,016	\$1,240,754,333



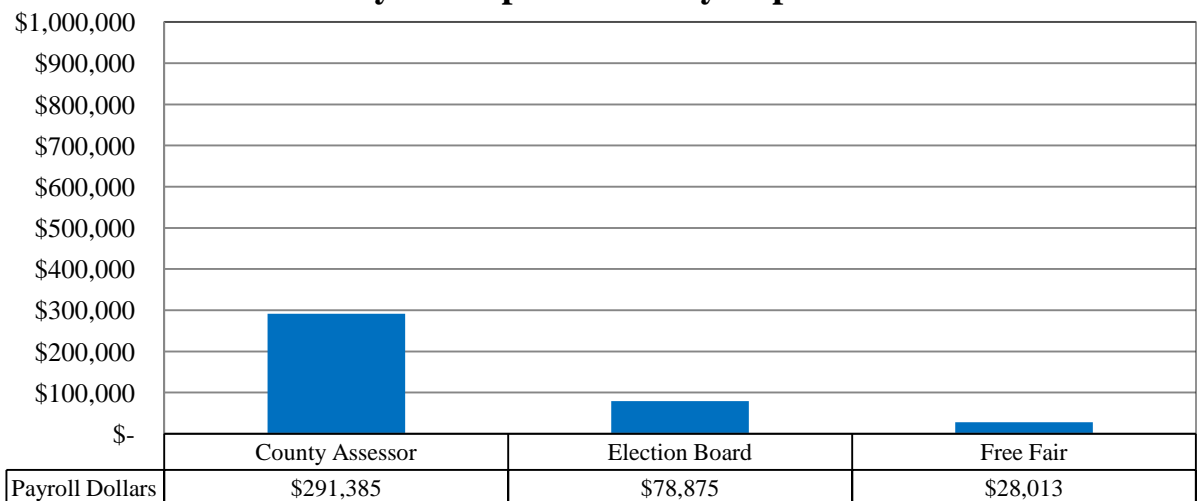
**LINCOLN COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2014.

Payroll Expenditures by Department



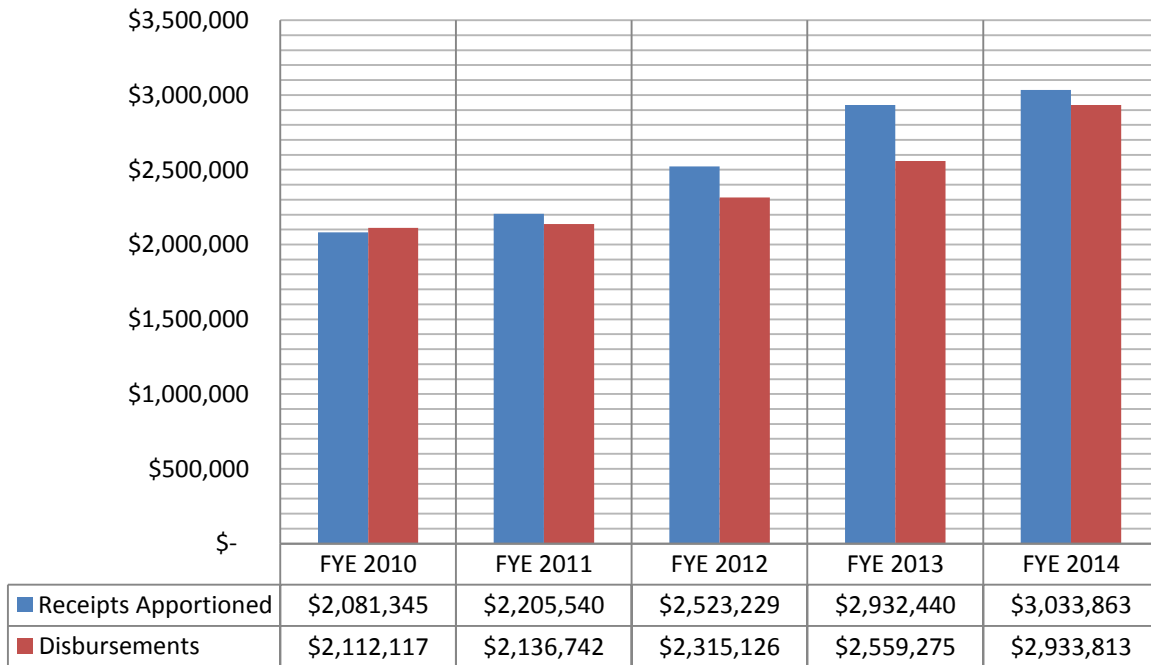
Payroll Expenditures by Department



**LINCOLN COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

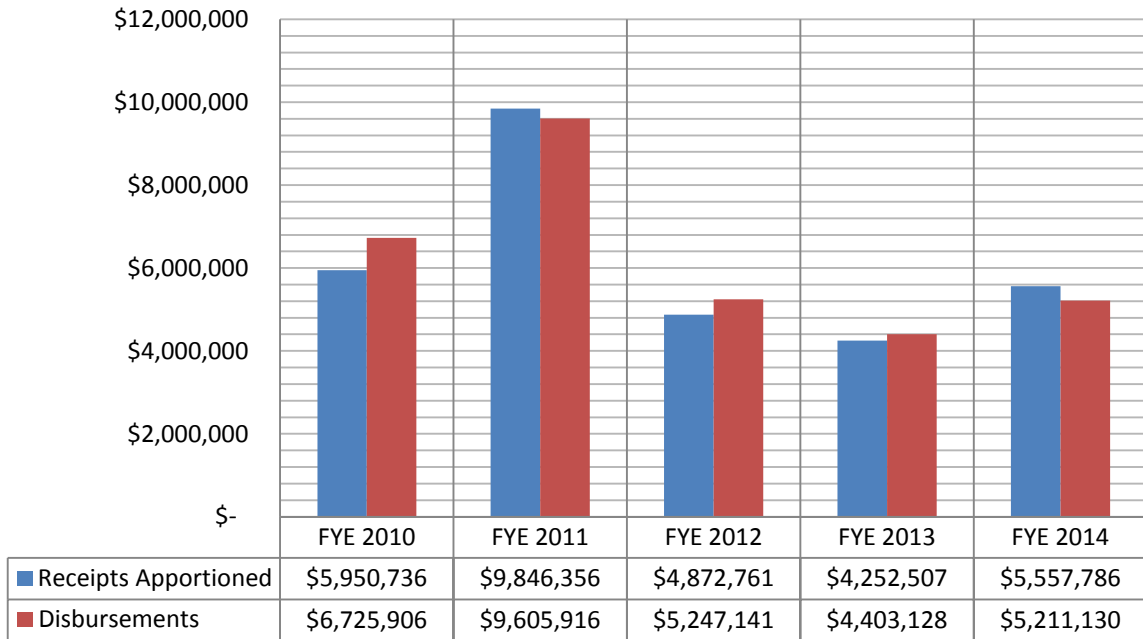
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also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



**LINCOLN COUNTY, OKLAHOMA
COUNTY HIGHWAY FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County Highway Fund

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



FINANCIAL SECTION



Oklahoma State Auditor & Inspector

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

Independent Auditor's Report

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2014, listed in the table of contents as the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Lincoln County as of June 30, 2014, or changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Lincoln County, for the year ended June 30, 2014, on the basis of accounting described in Note 1.

Other Matters

Other Information

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

The Schedule of Expenditures of Federal Awards and the Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related 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 Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Lincoln County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

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

January 11, 2016

REGULATORY BASIS FINANCIAL STATEMENT

LINCOLN COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)—MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:				
Major Funds:				
General Fund	\$ 1,099,776	\$ 3,033,863	\$ 2,933,813	\$ 1,199,826
Highway Cash Fund	1,253,547	5,557,786	5,211,130	1,600,203
County Health	739,590	672,723	754,756	657,557
CSSP Boarding of Prisoners	22,530	224,200	225,854	20,876
Sheriff Service Fee	47,187	260,496	264,386	43,297
County Sales Tax	2,180,786	2,999,579	2,426,652	2,753,713
CBRIF-105	1,347,304	422,628	182,863	1,587,069
County Use Tax	1,261,379	511,215	153,738	1,618,856
Resale Property	748,085	185,470	88,931	844,624
CDBG Grant	-	26,000	26,000	-
Remaining Aggregate Funds	550,233	249,276	258,130	541,379
Combined Total - All County Funds	\$ 9,250,417	\$ 14,143,236	\$ 12,526,253	\$ 10,867,400

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, 2014**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Lincoln County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

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

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

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

CSSP Boarding of Prisoners – accounts for the collections for housing Department of Corrections and other counties' prisoners. Disbursements are used for jail operating expenses.

Sheriff Service Fee – accounts for the collection of fees for the services provided by the Sheriff's office. Disbursements are for the operation of the Sheriff's office.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

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

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

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

C. Basis of Accounting

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

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

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 May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County Budget Board may approve changes of appropriations within the fund by office or department and object.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

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

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

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

D. Sales Tax

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,099,776	\$ 1,099,776	\$ -
Less: Prior Year Outstanding Warrants	(198,672)	(198,672)	-
Less: Prior Year Encumbrances	(43,676)	(43,676)	-
Plus: Lapsed Balance	-	134	134
Beginning Cash Balances, Budgetary Basis	857,428	857,562	134
Receipts:			
Ad Valorem Taxes	2,289,913	2,519,030	229,117
Charges for Services	158,251	209,286	51,035
Intergovernmental Revenues	248,921	272,666	23,745
Miscellaneous Revenues	585	32,881	32,296
Total Receipts, Budgetary Basis	2,697,670	3,033,863	336,193
Expenditures:			
District Attorney	9,360	9,360	-
County Sheriff	730,560	722,303	8,257
County Treasurer	192,480	192,010	470
County Commissioner	194,985	188,971	6,014
County Clerk	262,784	234,878	27,906
Court Clerk	189,120	177,120	12,000
County Assessor	170,554	169,816	738
Revaluation of Real Property	284,244	209,005	75,239
General Government	1,315,912	875,178	440,734
Excise-Equalization Board	3,500	2,715	785
County Election Board	95,170	84,155	11,015
Emergency Management	30,732	30,524	208
County Audit Budget Account	75,697	31,385	44,312
Total Expenditures, Budgetary Basis	3,555,098	2,927,420	627,678
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	964,005	\$ 964,005
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		218,223	
Add: Current Year Encumbrances		17,598	
Ending Cash Balance		\$ 1,199,826	

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, 2014

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 739,590	\$ 739,590	\$ -
Less: Prior Year Outstanding Warrants	(111,967)	(111,967)	-
Less: Prior Year Encumbrances	(115,875)	(115,875)	-
Plus: Lapsed Balance	-	1,091	1,091
Beginning Cash Balances, Budgetary Basis	511,748	512,839	1,091
Receipts:			
Ad Valorem Taxes	572,478	629,758	57,280
Charges for Services	-	42,861	42,861
Intergovernmental Revenue	-	104	104
Miscellaneous Revenues	60,860	-	(60,860)
Total Receipts, Budgetary Basis	633,338	672,723	39,385
Expenditures:			
Health and Welfare	1,145,086	576,323	568,763
Total Expenditures, Budgetary Basis	1,145,086	576,323	568,763
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	609,239	\$ 609,239
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		48,318	
Ending Cash Balance		\$ 657,557	

LINCOLN COUNTY, OKLAHOMA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS—
REMAINING AGGREGATE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2014
Remaining Aggregate Funds:				
County Clerk Preservation Fund	\$ 232,167	\$ 59,585	\$ 65,401	\$ 226,351
County Clerk Lien Fee	187,354	42,143	18,955	210,542
Free Fair	12,938	25,057	18,425	19,570
Court House Security	7,074	20,270	21,974	5,370
Sheriff Board-Bills	6,465	29,692	31,826	4,331
Sheriff Dispatching	2,179	2,440	4,619	-
County Treasurer Certification Fees	22,132	6,335	1,311	27,156
County Assessor Revolving Fund	13,699	5,829	10,469	9,059
County Sheriff Commissary	2,579	24,741	19,321	7,999
Flood Plain	1,369	2,340	275	3,434
Trash Dumping Fund	2,365	5,287	6,287	1,365
County Sinking	295	-	-	295
Visual Inspection	40	-	40	-
Civil Defense	3,707	-	-	3,707
County Assessor Hardware Upgrades	479	-	479	-
Community Service Sentencing Program	221	-	-	221
Kids First Grant	130	-	-	130
Emergency Management Donation Fund	752	3,113	2,971	894
Communications Tower	2,973	8,944	4,687	7,230
Local Emergency Planning Commission	1,315	1,000	1,090	1,225
Central Oklahoma Economic Development District	50,000	12,500	50,000	12,500
Combined Total - Remaining Aggregate Funds	\$ 550,233	\$ 249,276	\$ 258,130	\$ 541,379

LINCOLN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

1. Budgetary Schedules

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

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

2. Remaining County Funds

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

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

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

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

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

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

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

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

LINCOLN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

Civil Defense – accounts for revenues from the Oklahoma Department of Emergency Management and disbursements are for maintenance and operations.

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

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

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

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

Communications Tower – accounts for revenue from Page Plus, Commissioners, 911 Office, emergency management, fire departments, and Sheriff's office for rental space and disbursements are to lease the land, utilities, FCC licensing, and tower maintenance.

Local Emergency Planning Commission – accounts for grant monies received and disbursed as restricted by the grant agreement.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Oklahoma Department of Commerce: Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228	B-10-DC-40-0001	\$ 26,000
Total U.S. Department of Housing and Urban Development			<u>26,000</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Direct Grant: Payments in Lieu of Taxes	15.226		608
Total U.S. Department of the Interior			<u>608</u>
<u>U.S. DEPARTMENT OF JUSTICE BUREAU OF JUSTICE ASSISTANCE</u>			
Direct Grant: State Criminal Alien Assistance Program	16.606		507
Total U.S. Department of Justice Bureau of Justice Assistance			<u>507</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION NATIONAL HIGHWAY SAFETY ADMINISTRATION (NHTSA)</u>			
Passed Through the Oklahoma Highway Safety Office: State and Community Highway Safety	20.600		30,000
Total U.S. Department of Transportation			<u>30,000</u>
<u>U.S. DEPARTMENT OF THE INTERIOR BUREAU OF INDIAN AFFAIRS</u>			
Passed Through the Bureau of Indian Affairs: Highway Planning and Construction	20.205		1,024,616
Total U.S. Department of the Transportation Bureau of Indian Affairs			<u>1,024,616</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Oklahoma Department of Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		81,426
Hazard Mitigation Grant	97.039		21,275
Emergency Management Performance Grants	97.042	EMPG 14	17,500
Total U.S. Department of Homeland Security			<u>120,201</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,201,932</u></u>

LINCOLN COUNTY, OKLAHOMA
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Basis of Presentation

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2014, which comprises Lincoln County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 11, 2016.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2014, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

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

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 of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2014-1.

Compliance and Other Matters

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

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

Lincoln County's Responses to Findings

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

Purpose of this Report

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

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

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

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

January 11, 2016



Oklahoma State Auditor & Inspector

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

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

TO THE OFFICERS OF
LINCOLN COUNTY, OKLAHOMA

Report on Compliance for Each Major Program

We have audited the compliance of Lincoln County, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on Lincoln County's major federal program for the year ended June 30, 2014. Lincoln County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lincoln County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Lincoln County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Internal Control Over Compliance

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal

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

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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Other Matters

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

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

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

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

January 11, 2016

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

Noncompliance material to financial statements noted?..... None reported

Federal Awards

Internal control over major programs:

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

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

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

Identification of Major Programs

CFDA Number(s)
20.205

Name of Federal Program or Cluster
Highway Planning and Construction

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

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

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 2014-1 – Inadequate Internal Controls and Noncompliance with State Statutes Regarding Acceptance of Bids (Repeat Finding)

Condition: The Board of County Commissioners (BOCC) solicits bids for commonly-used goods and services, but its process of accepting bids does not appear to 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.”

After bids for commonly-used goods and services are solicited and opened, the Lincoln County BOCC accepts all bids submitted for Road Rock without regard as to whether or not each bid is the lowest and best bid. Additionally, no documentation was maintained to indicate any vendor was contacted at the time of work to determine both its ability and availability to provide goods or services.

While reviewing the six month bid list, five purchase orders were selected and it was noted on one occasion that the vendor selected for the six month bid was not used for a purchase and no supporting documentation was found in the BOCC minutes or with the purchase order documentation.

Cause of Condition: The County did not comply with 19 O.S. § 1505(B), which requires that counties award bids to the lowest and best bidders.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the awarding of bids. As a result, the County often did not obtain the best prices for road projects or for materials purchased from the commonly-used goods bid lists.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the County thoroughly review bids and determine which vendor is the lowest and best bidder. The successful bidder should be clearly documented in the minutes. If the successful bidder was not the lowest bidder, the reasons for not awarding the bid the lowest and best bidder should be clearly documented in the minutes.

Management Response:

District 1, 2 and 3 County Commissioners: The Commissioners will rank the vendors based on ability and availability and if lowest and best bid is not accepted an explanation will be documented on the purchase order and in the Board minutes.

Criteria: Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price.

When counties purchase “needed or commonly [-] used supplies, materials, [or] equipment,” 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

When counties purchase “processed native materials for road and bridge improvements,” 19 O.S. § 1501(A)(3)(j) requires the counties to solicit bids but allows them to “ *** accept all bids received, with the lowest and best bid from those accepted to be selected *** based upon availability, bid price, plus distinction between the terms “accept” and “award.” A decision to accept a bid is based upon it meeting certain bid specifications and, thus, is determined to be a qualified bid. The statutory guidance to award a bid is to identify the lone bidder who best meets the “lowest and best bid” criteria to the exclusion of all other bidders.

Further, 19 O.S. § 1505(B)(5) outlines the procedures to follow when the low bidder cannot fulfill a county bid contract. The statute states, “If a vendor who is the low bidder cannot or will not sell goods or services as required by a county bid contract, the county purchasing agent may purchase from the next low bidder or take quotations as provided in paragraph 6 of this subsection, *provided, however, such purchase does not exceed Ten Thousand Dollars (\$10,000.00).*”

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

No findings noted.

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 2014-2 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)

Condition: Based on inquiry of the Sheriff’s staff and observation of records, we noted the following:

- Lack of segregation of duties - one employee is responsible for accessing and balancing the drop box, preparing deposit slips, taking deposits to the bank, reconciling account balances, posting payments and disbursements to inmate records, calculating amount(s) written out of accounts, issuing checks, signing checks, and performing bank reconciliations.
- Inmate Trust Fund Checking Account funds are not deposited into the Inmate Trust Fund Checking Account on a daily basis.
- Bank reconciliations are not being performed adequately and were not reviewed or approved by someone other than the preparer.
- There is no evidence that receipts are compared to collections.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- The Sheriff's office contracted with a commissary company without authorization through the Board of County Commissioners.
- Inmate Trust Fund Checking Account checks totaling \$5,000.66, were issued for unauthorized expenditures:
 - Checks were issued to the Court Clerk to pay inmate fines.
 - Three (3) checks did not have two signatures authorizing payment.
 - Checks totaling \$995.05 were written for water service for the water coolers in the jail.
 - One check was written for \$48.00 for membership dues to a jail association.
 - One check was written for \$20.00 for an iPhone card.
- Inmate Trust Fund Checking Account checks issued to the County Sheriff were not deposited with the County Treasurer in a timely manner.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th of each year.
- Check stock is not placed in a secure location. It was noted while looking through the bank statements that one of the signatures appearing on multiple checks did not appear to be an authentic signature of an authorized check signer. OSAI inquired about the changes in signatures to an authorized check signer who stated that the signatures were not that of the check signer.
- The Sheriff's office does not keep record of all bank statements for the Inmate Trust Fund Checking Account. During the fiscal year audited, only six statements were retained for review. OSAI was able to have the bank reprint all bank statements for the audit period.
- Bank reconciliations are not completed in a timely manner. January and February of 2014 were both completed on March 24, 2014. April of 2014 was completed on May 19, 2014 and June 28, 2014 was completed on July 30, 2014.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate controls are in place to safeguard assets regarding the Inmate Trust Fund Checking Account and there is a lack of knowledge regarding the preparation and presentation of the annual commissary report.

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

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

OSAI further recommends the Sheriff implement procedures to ensure:

- All collections are deposited daily.
- Receipts are reconciled to collections/deposits.
- Inmate Trust Fund Checking Account expenditures are made only to reimburse an inmate upon being released from jail or to the Sheriff's Commissary.

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- Bank reconciliations be prepared accurately and timely, and reviewed and approved by someone other than the preparer.
- The Sheriff prepares and files an annual commissary report with the County Commissioners by January 15th of each year.
- Check stock is placed in a secured location where only authorized check signers have access.
- The Sheriff's office retains all bank statements and all records of audit significance for five years after an audit has been completed.

County Sheriff: More than one person has been assigned to fund collection and reconciliation and depositing. Statements are being reconciled at months end. All funds are being placed in the Sheriff's Commissary, and any expenditures will be paid out of it using a purchase order. Check stock is being kept in a locked file cabinet. An annual report will be filed with the County Commissioners office by January 15th of every year. The Sheriff has his own log in and is able to keep track of all occurrences in the account.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. All collections should be deposited daily, receipts should be reconciled to the collections/deposits, expenditures should only be made for authorized expenditures, checks should be signed by two authorized individuals, and bank reconciliations should be reviewed and approved by someone other than the preparer.

Title 19 O.S. § 531.A states in part, "... The Sheriff...may write checks to the Sheriff's Commissary Account... and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43 D. states in part, "...the Sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

Finding 2014-5 – Inadequate Internal Controls Over Fixed Assets and Noncompliance with State Statutes

Condition: Upon inquiry and observation of inventory items, OSAI noted the following conditions:

Court Clerk:

- An updated copy of the inventory list is not filed with the County Clerk.

Sheriff:

- There is no inventory list of items over (but not limited to) \$500.
- An annual review of inventory is not performed.

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District 1:

- Five (5) of the twenty (20) items selected were not properly marked with “Property of Lincoln County” on both sides.
- An annual review of inventory is not performed.
- There is no documentation of items disposed of during the audit period.
- An updated copy of the inventory list is not filed with the County Clerk.

District 2:

- An updated copy of the inventory list is not filed with the County Clerk.

District 3:

- An updated copy of the inventory list is not filed with the County Clerk.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure proper documentation and monitoring of assets.

Effect of Condition: When fixed assets are not monitored and equipment is not properly marked with identification numbers, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with state statutes by maintaining inventory records, marking assets with a county identification number and “Property of Lincoln County.”

OSAI further recommends that an annual physical fixed assets verification be performed and documentation of the verification be signed, dated, and retained to show the operating effectiveness of internal controls implemented by officials.

Management Response:

Court Clerk: An updated copy of our inventory is now on file with the County Clerk.

County Sheriff: I have implemented new inventory of all equipment owned by the Sheriff’s office of \$500.00 or more. As soon as inventory is complete, it will be filed with the County Clerk’s office.

District 1 County Commissioner: We have agreed to correct each item as recommended.

District 2 County Commissioner: We will make the inventory list available to the Court House Secretary and the County Clerk.

District 3 County Commissioner: The inventory is checked periodically but has not been documented or filed properly. We have now added this task to our master calendar to be completed annually and a signed copy will be filed with the County Clerk’s office in a timely fashion.

Criteria: Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding

**LINCOLN COUNTY, OKLAHOMA
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prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 and 2, 19 O.S. § 1502(A) (1), 19 O.S. § 1502(B) (1), and 69 O.S. § 645.1 provide guidance to the County for maintaining inventory records, marking assets with a county identification number, and “Property of (name of county) County”.

Finding 2014–6 – Inadequate Internal Controls Over Consumable Inventories and Noncompliance with State Statutes

Condition: Upon inquiry of County personnel, observation, and review of documents regarding consumable inventories, the following was noted:

District 1:

- A reconciliation of fuel is not performed for fuel at the barn or at satellite locations.
- Unleaded fuel on hand was 359.3 gallons higher than what was on record.
- Diesel fuel was 1,645.82 gallons lower than what was on record.

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate reporting of fuel.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in inaccurate records, or unauthorized use or loss of consumable inventories.

Recommendation: OSAI recommends that District 1 design and implement procedures for the accurate reporting of fuel and comply with 19 O.S. § 1504A.

Management Response:

District 1 County Commissioner: We have agreed to correct each item as recommended.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.

**LINCOLN COUNTY, OKLAHOMA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 and Suspension and Debarment

Questioned Costs: N/A

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.

Status: This finding has been corrected.

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

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.

Status: This finding has been corrected.



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