



# LINCOLN COUNTY

## Financial Report

For the fiscal year ended June 30, 2018

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

**LINCOLN COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

April 18, 2022

TO THE CITIZENS OF  
LINCOLN COUNTY, OKLAHOMA

Transmitted herewith is the audit of Lincoln County, Oklahoma for the fiscal year ended June 30, 2018. The audit was conducted in accordance with 19 O.S. § 171.

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

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

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

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

Sincerely,



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**LINCOLN COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**Board of County Commissioners**

District 1 – Ted O'Donnell  
District 2 – Troy Evans  
District 3 – Lee Doolen

**County Assessor**

Randy Wintz

**County Clerk**

Alicia Wagnon

**County Sheriff**

Charlie Dougherty

**County Treasurer**

Kathy Sherman

**Court Clerk**

Cindy Kirby

**District Attorney**

Richard Smothermon

**LINCOLN COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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## **FINANCIAL SECTION**

## Independent Auditor's Report

TO THE OFFICERS OF  
LINCOLN COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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



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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Lincoln County as of June 30, 2018, or changes in financial position for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Lincoln County, as of and for the year ended June 30, 2018, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

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

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2022, on our consideration of Lincoln County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part



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

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

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

April 4, 2022

## **REGULATORY BASIS FINANCIAL STATEMENT**

**LINCOLN COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Beginning Cash Balances July 1, 2017	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2018
County Funds:						
County General	\$ 2,889,593	\$ 5,363,105	\$ -	\$ -	\$ 4,513,474	\$ 3,739,224
Highway Cash	1,616,130	4,488,735	-	-	4,575,339	1,529,526
County Health	867,466	1,422,560	-	-	1,148,511	1,141,515
CSSP Boarding of Prisoners	11,750	41,310	-	-	48,007	5,053
Sheriff Service Fee	18,644	240,876	-	-	231,603	27,917
County Sales Tax	2,502,135	2,685,779	-	-	2,586,683	2,601,231
CBRIF - 105	1,706,697	318,886	-	-	430,609	1,594,974
County Use Tax	1,923,378	444,894	-	-	436,613	1,931,659
Resale Property	1,212,323	177,292	7,250	-	117,469	1,279,396
County Clerk Preservation Fund	253,515	43,716	-	-	112,670	184,561
County Clerk Lien Fee	229,553	15,332	-	-	46,068	198,817
Free Fair	13,010	41,355	-	-	29,109	25,256
Courthouse Security	2,504	28,759	-	-	28,345	2,918
Sheriff Board Bills	5,749	41,973	-	-	41,617	6,105
County Treasurer Certification Fee	40,563	6,605	-	-	3,437	43,731
Court Fund Payroll	10,379	123,053	-	-	128,692	4,740
County Assessor Revolving	8,126	2,860	-	-	5,089	5,897
County Sheriff Commissary	1,481	20,380	-	-	16,880	4,981
Flood Plain	7,287	1,300	-	-	100	8,487
Trash Dumping Fund	5,032	5,870	-	-	7,946	2,956
County Sinking	295	-	-	-	-	295
Civil Defense	16,536	25,341	-	-	12,339	29,538
Kids First Grant	130	-	-	-	130	-
Emergency Management Donation Fund	5,477	5,025	-	-	6,184	4,318
Communications Tower	12,932	9,600	-	-	15,082	7,450
Local Emergency Planning Commission	1,225	-	-	-	-	1,225
County Commissioner Reward Fund	3,011	188	-	-	-	3,199
OBF Donations for Court Areas	-	18,042	-	-	-	18,042
<b>Total - All County Funds</b>	<b>\$ 13,364,921</b>	<b>\$ 15,572,836</b>	<b>\$ 7,250</b>	<b>\$ -</b>	<b>\$ 14,541,996</b>	<b>\$ 14,403,011</b>

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

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

**B. Fund Accounting**

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

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

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

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

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

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

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

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

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

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

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

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

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

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

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

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

Flood Plain – accounts for revenues from 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 grant funds received from the State of Oklahoma for the enforcement of trash and litter laws and disbursements are for trash cop salaries.

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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 which has been fully paid.

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

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

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

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

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

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

OB Foundation Donations for Court Areas – accounts for donations received from the Oklahoma Bar Foundation and disbursed for the purpose designated at the time of the donation.

**C. Basis of Accounting**

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

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

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**D. Budget**

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

**E. Cash and Investments**

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

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

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

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

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

**3. Other Information**

**A. Pension Plan**

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

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

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

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

**C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts



**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, the County expects such amounts, if any, to be immaterial.

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**

**Sales Tax of January 1, 2014**

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

**E. Interfund Transfers**

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

- \$7,250 was transferred from the Excess Resale Proceeds fund (a trust and agency fund) to the Resale Property fund in accordance with 68 O.S. § 3131C.

## **SUPPLEMENTARY INFORMATION**

**LINCOLN COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 70,990	\$ 70,990	\$ -
County Sheriff	1,280,046	1,234,520	45,526
County Treasurer	212,205	201,650	10,555
County Commissioners	280,495	254,390	26,105
County Clerk	291,388	287,248	4,140
Court Clerk	241,725	224,250	17,475
County Assessor	229,150	223,276	5,874
Revaluation of Real Property	381,168	339,523	41,645
General Government	3,969,961	1,492,982	2,476,979
Excise-Equalization Board	3,500	1,482	2,018
County Election Board	118,939	115,973	2,966
Emergency Management	70,180	69,783	397
County Audit Budget Account	117,626	117,537	89
Total Expenditures, Budgetary Basis	<u>\$ 7,267,373</u>	<u>\$ 4,633,604</u>	<u>\$ 2,633,769</u>

**LINCOLN COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,931,126	\$ 1,068,849	\$ 862,277
Total Expenditures, Budgetary Basis	\$ 1,931,126	\$ 1,068,849	\$ 862,277

**LINCOLN COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**1. Budgetary Schedules**

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

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

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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

TO THE OFFICERS OF  
LINCOLN COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Lincoln County, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise Lincoln County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 4, 2022.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2018, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

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

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



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2018-002 and 2018-003.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2018-004.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lincoln County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2018-003.

We noted a certain matter regarding statutory compliance that we reported to the management of Lincoln County, which is included in Section 2 of the schedule of findings and responses contained in this report.

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

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

### **Purpose of this Report**

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



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

April 4, 2022



LINCOLN COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**Finding 2018-002 – Reconciliation of Appropriation Ledger to General Ledger**

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

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

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

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

**Management Response:**

**Chairman of the Board of County Commissioners:** The County Treasurer, County Clerk and I will work together to reconcile the County General, Highway Cash, and County Health funds.

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

**County Treasurer:** I was not in office at this time. Currently my first Deputy and I are working on balancing these funds with the County Clerk.

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

The GAO Standards – Principle 16 – Perform Monitoring Activities: 16.05 states in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring

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includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

**Finding 2018-003 – Lack of Internal Controls and Noncompliance Over Disbursements and Payroll Process (Repeat Finding – 2015-005, 2016-005, 2017-004)**

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

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.
- Cash voucher documentation was not maintained.

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

- Of the seventy-three (73) disbursements tested:
  - Twenty-three (23) disbursements totaling \$781,417 could not be located. However, the approval of the disbursements was located within the Board of County Commissioners (BOCC) minutes.
  - Ten (10) disbursements totaling \$505,076 were not timely encumbered.
  - Nine (9) disbursements totaling \$35,422 were not supported by adequate documentation.
  - Five (5) payroll claims totaling \$9,558 were not supported by approval of the elected official or department head.
  - One (1) disbursement in the amount of \$6,000 was encumbered without a signature from a requisition officer.
  - One (1) disbursement in the amount of \$150 was not approved by the BOCC.
- Of the ten (10) sales tax disbursements tested:
  - One (1) disbursement in the amount of \$82 could not be located; therefore, we were unable to determine if the disbursement was allowable.

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

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

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

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**Management Response:**

**Chairman of the Board of County Commissioners:** I will work with other elected officials to ensure they understand to timely encumber all purchases, include adequate supporting documentation, review, and approval of all expenditures. I will also encourage them to send their employees to purchasing class.

**County Clerk:** My office is now having a different person review documents to make sure that purchasing procedures are followed. We have attended a purchasing class and we are encouraging other departments to attend the class. All payroll claims are now being approved by each department and all documents are now being maintained within my office. When we have new employees, all information is now double checked to ensure all information is accurately processed within the payroll system.

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

*Objectives of an Entity – Compliance Objectives*

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

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

*Definitions of Objectives*

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

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

*Segregation of duties*

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

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

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Title 68 O.S. § 1370(E) states sales tax monies can be used only for the purpose for which such sales tax was designated.

**Finding 2018-004 – Lack of Internal Controls Over Information Systems Security – County Clerk (Repeat Finding - 2015-007, 2016-007, 2017-006)**

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

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

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

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

**Management Response:**

**Chairman of the Board of County Commissioners and County Clerk:** The County has hired an IT company to secure and backup all county information systems.

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

**SECTION 2—** This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management's attention. We recommend that management consider these matters and take appropriate corrective action.

**Finding 2018-006 – Lack of Internal Controls Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and review over the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund, the following was noted:

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- One employee is responsible for accessing and balancing the drop box, preparing deposit slips, taking deposits to the bank, reconciling account balances, posting payments and disbursements to inmate records, calculating amount(s) written out of accounts, issuing checks, signing checks, and performing bank reconciliations.
- Bank reconciliations are not timely performed, and the inmate trust ledger has not been reconciled to the bank account.
- There is no policy or procedures regarding unclaimed funds.
- An annual report for the Sheriff's Commissary Fund was not filed with the Board of County Commissioners by January 15<sup>th</sup>.

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

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

**Recommendation:** OSAI recommends that policies and procedures are designed and implemented to ensure that all key duties and responsibilities are segregated. Inmate Trust Fund Checking Account monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate trust fund balance should be reconciled to the total of each inmate's balance with someone other than the preparer reviewing it. Bank reconciliations should be performed monthly. Unclaimed inmate monies should follow unclaimed property procedures in accordance with state statute. The annual report for the Sheriff's Commissary Fund should be submitted to the Board of County Commissioners by January 15th, of each year in accordance with state statute.

**Management Response:**

**County Sheriff:** We are now deconflicting and making necessary changes to be in compliance with this year's findings. The Lincoln County Sheriff's Office will have separate employees authorize transactions, have physical custody of assets, and record transactions instead of having multiple employees overseeing and performing each task. The Sheriff's office has hired new personnel that is now reconciling the account within two days of receiving the bank statement and we have resolved all unreconciled items. We are now filing our Commissary report annually with the Board of County Commissioners by January 15th for the previous year. We are currently working on a detailed policy to utilize for unclaimed funds and plan to implement it within the month.

**Criteria:** The GAO Standards – Principle 16 – Perform Monitoring Activities: 16.05 states in part:

*Internal Control System Monitoring*

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

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

*Segregation of duties*

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

Additionally, Principle 10 - Segregation of Duties states:

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

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

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

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.”

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



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