



LINCOLN COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**LINCOLN COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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

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, 2019. 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,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**LINCOLN COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Carl Munson
District 2 – Troy Evans
District 3 – Lee Doolen

County Assessor

Jackie Holcomb

County Clerk

Alicia Wagnon

County Sheriff

Charlie Dougherty

County Treasurer

Brenda Jackson

Court Clerk

Cindy Kirby

District Attorney

Allan Grubb

**LINCOLN COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector	1
Financial Statement:	
Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis	4
Notes to the Financial Statement.....	5

SUPPLEMENTARY INFORMATION

Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund.....	13
Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund.....	14
Note to Supplementary Information.....	15

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16
Schedule of Findings and Responses	18

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, 2019, 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, 2019, 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 of receipts, disbursements, and changes in cash balances for all county funds of Lincoln County, as of and for the year ended June 30, 2019, 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, 2019

	Beginning Cash Balances July 1, 2018	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2019
County Funds:						
County General Fund	\$ 3,739,224	\$ 5,434,104	\$ 84,811	\$ 73,500	\$ 4,724,831	\$ 4,459,808
County Highway Unrestricted	1,529,526	4,178,821	-	-	4,403,577	1,304,770
Health	1,141,515	1,421,153	-	-	706,912	1,855,756
CSSP Board of Prisoners	5,053	26,862	6,105	-	37,485	535
Sheriff Service Fee	27,917	287,843	40,943	42,287	262,848	51,568
County Sales Tax	2,601,231	-	-	2,586,913	14,318	-
County Bridge and Road Improvement	1,594,974	536,634	-	-	248,915	1,882,693
Use Tax-ST	1,931,659	559,000	-	-	269,620	2,221,039
Resale Property	1,279,396	189,150	40,706	-	82,889	1,426,363
County Clerk Records Management and Preservation	184,561	42,810	-	-	42,440	184,931
County Clerk Lien Fee	198,817	15,792	-	-	20,985	193,624
Free Fair Board	25,256	19,253	-	-	9,314	35,195
Courthouse Security	2,918	-	-	1,943	975	-
Sheriff Board Bills	6,105	-	-	6,105	-	-
Treasurer Mortgage Certification	43,731	5,970	-	-	2,350	47,351
Court Fund Payroll	4,740	-	-	-	4,740	-
Assessor Revolving Fee	5,897	4,520	-	-	4,497	5,920
Sheriff Commissary	4,981	103,127	-	-	88,108	20,000
Flood Plain	8,487	4,275	-	-	682	12,080
Trash Cop	2,956	11,815	3,287	-	16,596	1,462
County Sinking	295	-	-	295	-	-
Emergency Management	29,538	52,254	7,450	-	64,357	24,885
County Donations	4,318	500	18,042	-	18,042	4,818
Communications Tower	7,450	-	-	7,450	-	-
Local Emergency Planning Committee	1,225	-	-	-	720	505
Reward Fund	3,199	440	-	-	-	3,639
OBP Donations for Court	18,042	-	-	18,042	-	-
Court Clerk Payroll	-	109,225	34,500	34,500	105,407	3,818
Courthouse Improvement-ST	-	22,806	528,969	-	35,698	516,077
Emergency Management-ST	-	36,797	36,896	-	19,296	54,397
Extension-ST	-	145,096	274,635	-	138,436	281,295
Fair-ST	-	48,365	22,635	-	45,847	25,153
Roads and Bridges-ST	-	1,452,329	629,792	-	1,224,506	857,615
Jail-ST	-	314,375	954	-	250,221	65,108
Rural Fire-ST	-	205,553	663,443	-	149,489	719,507
Senior Citizens-ST	-	152,961	259,900	-	171,710	241,151
Economic Development-ST	-	56,805	169,689	-	840	225,654
CDBG - Kendrick Fire	-	2,700	-	-	-	2,700
Wellston Cemetery Road	-	43,000	-	-	42,978	22
Safe Room Grant	-	89,844	-	-	86,351	3,493
Safe Oklahoma	-	30,000	-	-	22,655	7,345
Total - All County Funds	\$ 14,403,011	\$ 15,604,179	\$ 2,822,757	\$ 2,771,035	\$ 13,318,635	\$ 16,740,277

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, 2019**

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.

During the fiscal year ended June 30, 2019, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

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

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

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

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

CSSP Boarding of Prisoners – accounts for the collections of money for the housing of prisoners for towns, tribes, and other counties. Disbursements are used for jail operating expenses.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

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

Courthouse Security – accounts for the collection of revenue generated from the Court Clerk's office for filling 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 for jail operating expenses.

Treasurer Mortgage Certification – 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.

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

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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.

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

County Donations – accounts for donations received through the Board of County Commissioners and disbursed for the purpose designated at the time of the donation.

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

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

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

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

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

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

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

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

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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

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

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

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

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

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

Safe Oklahoma – accounts for the receipt and disbursement for funds from a state grant to provide local law enforcement agencies with additional resources to address violent crime.

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, 2019**

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, 2019**

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, 2019**

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 Courthouse Improvement Fund-ST fund, Emergency Management-ST fund, Extension-ST fund, Fair-ST fund, Roads and Bridges-ST fund, Jail-ST fund, Rural Fire-ST fund, Senior Citizens-ST fund, and Economic Development-ST fund.

Sales Tax of January 1, 2019

The voters of Lincoln County approved a one percent (1%) county wide sales tax through a special election on February 13, 2018, that became effective January 1, 2019. This sales tax has a duration of five (5) years. The sales tax was established to provided revenue for the following: County Road and Bridge Improvements-60%, Lincoln County Jail-13%, Lincoln County Extension Center-6%, with a cap of \$120,000 annually, Senior Citizen Nutrition-7%, Lincoln County Fire Departments-8.5%, Lincoln County Free Fair-2%, Economic Development-2%, Emergency Management and Lincoln County Safety Office-1.5%. Money over capped amounts will go to the Lincoln County Courthouse Improvement Fund. These funds are accounted for in the Courthouse Improvement Fund-ST fund, Emergency Management-ST fund, Extension-ST fund, Fair-ST fund, Road and Bridges-ST fund, Jail-ST fund, Rural Fire-ST fund, Senior Citizens-ST fund, and Economic Development-ST fund.

**LINCOLN COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

E. Interfund Transfers

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

- To establish a uniform system of bookkeeping in accordance with 74 O.S. § 214, a total of \$2,586,913 was transferred from County Sales Tax fund to the following funds:
 - \$528,969 Courthouse Improvement-ST
 - \$36,896 Emergency Management-ST
 - \$274,635 Extension-ST
 - \$22,635 Fair-ST
 - \$629,792 Roads and Bridges-ST
 - \$954 Jail-ST
 - \$663,443 Rural Fire-ST
 - \$259,900 Senior Citizens-ST
 - \$169,689 Economic Development-ST
- To establish a uniform system of bookkeeping in accordance with 74 O.S. § 214,
 - \$1,943 was transferred from the Courthouse Security fund to the Sheriff Service Fee fund.
 - \$6,105 was transferred from the Sheriff Board Bills fund to the CSSP Boarding of Prisoners fund.
 - \$7,450 was transferred from the Communications Tower fund to the Emergency Management fund.
 - \$18,042 was transferred from the OBF Donations for Court fund to the County Donations fund.
- \$11,016 was transferred from the Prior Tax fund (a trust and agency fund) to the County General fund. This residual transfer was made in accordance with District Attorney approval.
- \$295 was transferred from the County Sinking fund to County General Fund. This residual transfer was made in accordance with District Attorney approval.
- \$39,000 was transferred from the County General Fund to Sheriff Service Fee fund as a loan per 68 O.S. § 3021.
- \$39,000 was transferred from the Sheriff Service Fee fund to County General Fund to repay a loan per 68 O.S. § 3021.
- \$34,500 was transferred from the County General Fund to Court Clerk Payroll fund as a loan per 68 O.S. § 3021
- \$34,500 was transferred from the Court Clerk Payroll fund to County General Fund to repay a loan per 68 O.S. § 3021.
- \$3,287 was transferred from Sheriff Service Fee fund to Trash Cop fund as a loan per 68 O.S. § 3021.
- \$40,706 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, 2019

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 140,090	\$ 67,681	\$ 72,409
County Sheriff	1,256,272	1,243,213	13,059
County Treasurer	219,105	214,228	4,877
County Commissioners	288,813	274,258	14,555
County Clerk	292,469	291,668	801
Court Clerk	253,425	230,243	23,182
County Assessor	204,509	177,455	27,054
Revaluation of Real Property	361,801	326,448	35,353
General Government	4,968,028	1,653,926	3,314,102
Excise - Equalization Board	3,500	1,630	1,870
County Election Board	111,478	101,573	9,905
Emergency Management	103,649	97,661	5,988
County Audit Budget Account	45,618	16,649	28,969
Free Fair Budget Account	55,500	28,314	27,186
Total Expenditures, Budgetary Basis	<u>\$ 8,304,257</u>	<u>\$ 4,724,947</u>	<u>\$ 3,579,310</u>

LINCOLN COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—HEALTH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 2,374,414	\$ 724,469	\$ 1,649,945
Total Expenditures, Budgetary Basis	\$ 2,374,414	\$ 724,469	\$ 1,649,945

**LINCOLN COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019, 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, 2019, 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: 2019-001, 2019-002 and 2019-003.



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: 2019-004.

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 2019-003.

We noted certain matters regarding statutory compliance that we reported to the management of Lincoln County, which are 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, 2019**

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 2019-001 – Lack of County-Wide Internal Controls

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

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

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

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

Management Response:

Chairman of the Board of County Commissioners: The County Officials are now having regular meetings to discuss the Control Environment, Risk Assessment and Monitoring of the County and I will work to implement new procedures.

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

County Treasurer: Currently, the Officers of Lincoln County are having officer’s meetings where we can discuss the County’s risk.

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

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Definition of Internal Control

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

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

Components, Principles, and Attributes

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

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

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

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

Finding 2019-002 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2018-002)

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

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

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

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

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Management Response:

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

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

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

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

Internal Control System Monitoring

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

Finding 2019-003 – Lack of Internal Controls and Noncompliance Over Disbursement and Payroll Process (Repeat Finding – 2015-005, 2016-005, 2017-004, 2018-003)

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 sixty-three (63) disbursements tested:
 - Twenty (20) disbursements totaling \$607,561 could not be located. However, the approval of the disbursements was located within the Board of County Commissioners (BOCC) minutes.
 - Nine (9) disbursements totaling \$468,108 were not timely encumbered.
 - Seven (7) disbursements totaling \$36,435 were not supported by adequate documentation.
 - Four (4) payroll claims totaling \$6,617 were not supported by approval of the elected official and/or employee signature.
 - One (1) disbursement in the amount of \$8,788 paid a prior year expense with current year funds.

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 statutes.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Segregation of duties

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

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

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

Finding 2019-004 – Lack of Internal Controls Over Information Systems Security – County Clerk (Repeat Finding 2015-007, 2016-007, 2017-006, 2018-004)

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

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-006 – 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:

- One employee is responsible for accessing and balancing the drop box, preparing deposit slips, taking deposits to the bank, reconciling account balances, posting payments and disbursements to inmate records, calculating amount(s) written out of accounts, issuing checks, signing checks, and performing bank reconciliations.
- Bank reconciliations are not timely preformed, and the inmate trust ledger has not been reconciled to the bank account.
- There is no policy or procedures regarding unclaimed funds.
- The annual report for the Sheriff's Commissary Fund filed with the Board of County Commissioners did not accurately present the beginning and ending balances.

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 balances 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 accurately presented and 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,

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

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.

**LINCOLN COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.



Cindy Byrd, CPA | State Auditor & Inspector

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