



# LINCOLN COUNTY

## Financial Report

For the fiscal year ended June 30, 2020

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

**LINCOLN COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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](http://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, 2020. 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 also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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, 2020**

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**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, 2020**

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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, 2020, 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, 2020, 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, 2020, 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, 2020**

	Beginning Cash Balances July 1, 2019	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2020
County Funds:						
County General Fund	\$ 4,459,808	\$ 5,759,600	\$ 68,000	\$ 68,000	\$ 4,940,125	\$ 5,279,283
County Highway Unrestricted	1,304,770	3,796,058	12,000	-	3,989,345	1,123,483
Health	1,855,756	1,356,205	-	-	426,163	2,785,798
CSSP Boarding of Prisoners	535	-	-	-	-	535
Sheriff Service Fee	51,568	308,252	20,655	21,756	280,255	78,464
County Bridge and Road Improvement	1,882,693	550,158	-	12,000	235,756	2,185,095
Use Tax-ST	2,221,039	866,809	-	-	364,587	2,723,261
Resale Property	1,426,363	211,361	-	-	92,028	1,545,696
County Clerk Records Management and Preservation	184,931	62,128	-	-	35,248	211,811
County Clerk Lien Fee	193,624	23,306	1,000	1,000	88,740	128,190
Free Fair Board	35,195	17,145	-	-	5,920	46,420
Treasurer Mortgage Certification	47,351	6,685	-	-	3,894	50,142
Assessor Revolving Fee	5,920	2,819	-	-	3,624	5,115
Sheriff Commissary	20,000	84,365	-	-	73,806	30,559
Flood Plain	12,080	5,500	-	-	705	16,875
Trash Cop	1,462	15,667	2,756	1,655	15,376	2,854
Emergency Management	24,885	20,269	-	-	34,636	10,518
County Donations	4,818	131,643	-	-	46,054	90,407
Local Emergency Planning Committee	505	-	-	-	-	505
Reward Fund	3,639	-	-	-	-	3,639
Court Clerk Payroll	3,818	102,709	18,000	18,000	99,762	6,765
Courthouse Improvement-ST	516,077	34,300	-	-	69,372	481,005
Emergency Management-ST	54,397	38,575	-	-	55,178	37,794
Extension-ST	281,295	120,085	-	-	120,339	281,041
Fair-ST	25,153	51,433	-	-	21,118	55,468
Roads and Bridges-ST	857,615	1,641,040	-	-	1,825,301	673,354
Jail-ST	65,108	334,842	-	-	290,019	109,931
Rural Fire-ST	719,507	218,591	-	-	274,324	663,774
Senior Citizens-ST	241,151	180,016	-	-	152,750	268,417
Economic Development-ST	225,654	51,433	-	-	105,000	172,087
CDBG - Kendrick Fire	2,700	-	-	-	-	2,700
Wellston Cemetery Road	22	-	-	-	-	22
Safe Room Grant	3,493	49,464	-	-	51,414	1,543
Safe Oklahoma	7,345	20,000	-	-	10,987	16,358
Merrick Fire REAP Grant	-	16,493	-	-	16,493	-
Arlington Fire REAP Grant	-	30,000	30,000	30,000	30,000	-
Jacktown Fire REAP Grant	-	18,925	-	-	-	18,925
<b>Total - All County Funds</b>	<b>\$ 16,740,277</b>	<b>\$ 16,125,876</b>	<b>\$ 152,411</b>	<b>\$ 152,411</b>	<b>\$ 13,758,319</b>	<b>\$ 19,107,834</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, 2020**

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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 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.

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.

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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.

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

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

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

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

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

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

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

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.

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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.

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Merrick Fire REAP Grant – accounts for the receipt and disbursement of funds from state REAP grant for bunker gear and equipment.

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

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

**C. Basis of Accounting**

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

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

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each 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

**LINCOLN COUNTY, OKLAHOMA**  
**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

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

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

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

**2. Ad Valorem Tax**

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

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



**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**3. Other Information**

**A. Pension Plan**

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

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

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

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

**C. Contingent Liabilities**

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

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, 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

**LINCOLN COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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and Bridge Improvements-60%, Lincoln County Jail-13%, Lincoln County Extension Center-6%, with a cap of \$120,000 annually, Senior Citizen Nutrition-7%, Lincoln County Fire Departments-8.5%, Lincoln County Free Fair-2%, Economic Development-2%, Emergency Management and Lincoln County Safety Office-1.5%. Money over capped amounts will go to the Lincoln County Courthouse Improvement fund. These funds are accounted for in the Courthouse Improvement-ST fund, Emergency Management-ST fund, Extension-ST fund, Fair-ST fund, Roads and Bridges-ST fund, Jail-ST fund, Rural Fire-ST fund, Senior Citizens-ST fund, and Economic Development-ST fund.

**E. Interfund Transfers**

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

- \$20,000 was transferred from the County General Fund to the Sheriff Service Fee fund as a loan per 68 O.S. § 3021.
- \$20,000 was transferred from the Sheriff Service Fee fund to the County General Fund to repay a loan per 68 O.S. § 3021.
- \$18,000 was transferred from the County General Fund to the Court Clerk Payroll fund as a loan per 68 O.S. § 3021.
- \$18,000 was transferred from the Court Clerk Payroll fund to the County General Fund to repay a loan per 68 O.S. § 3021.
- \$30,000 was transferred from the County General Fund to the Arlington Fire REAP Grant fund as a loan per 68 O.S. § 3021.
- \$30,000 was transferred from the Arlington Fire REAP Grant fund to the County General Fund to repay a loan per 68 O.S. § 3021.
- \$12,000 was transferred from the County Bridge and Road Improvement fund to the County Highway Unrestricted fund as a loan per 68 O.S. § 3021.
- \$1,000 was transferred from the County Clerk Lien Fee fund to the Trash Cop fund as a loan per 68 O.S. § 3021.
- \$1,000 was transferred from the Trash Cop fund to the County Clerk Lien Fee fund to repay a loan per 68 O.S. § 3021.
- \$1,756 was transferred from the Sheriff Service Fee fund to the Trash Cop fund as a loan per 68 O.S. § 3021.
- \$655 was transferred from the Trash Cop fund to the Sheriff Service Fee fund to repay a loan per 68 O.S. § 3021.

## **SUPPLEMENTARY INFORMATION**

**LINCOLN COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	General Fund		
	Budget	Actual	Variance
District Attorney	\$ 199,700	\$ 181,016	\$ 18,684
County Sheriff	1,338,994	1,303,472	35,522
County Treasurer	216,920	209,749	7,171
County Commissioners	297,893	272,464	25,429
OSU Extension	40,320	-	40,320
County Clerk	307,033	303,601	3,432
Court Clerk	260,420	253,724	6,696
County Assessor	223,920	207,796	16,124
Revaluation of Real Property	371,682	204,247	167,435
General Government	5,585,535	1,715,198	3,870,337
Excise-Equalization Board	3,500	1,865	1,635
County Election Board	116,935	105,755	11,180
Emergency Management	117,047	111,733	5,314
Highway Budget Account	11,500	2,027	9,473
County Audit Budget Account	76,564	3,900	72,664
Free Fair Budget Account	136,000	119,966	16,034
Total Expenditures, Budgetary Basis	<u>\$ 9,303,963</u>	<u>\$ 4,996,513</u>	<u>\$ 4,307,450</u>

**LINCOLN COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 1,959,735	\$ 840,849	\$ 1,118,886
Total Expenditures, Budgetary Basis	<u>\$ 1,959,735</u>	<u>\$ 840,849</u>	<u>\$ 1,118,886</u>

**LINCOLN COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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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, 2020, 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, 2020, 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: 2020-001, 2020-002 and 2020-003.

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: 2020-004.

### **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 2020-003.

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, 2020**

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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 2020-001 – Lack of County-Wide Internal Controls (Repeat Finding 2019-001)**

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

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

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

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

**Management Response:**

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

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

**County Treasurer:** Currently, the Officers of Lincoln County are having officer’s meetings where we 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  
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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 2020-002 – Reconciliation of Appropriation Ledger to General Ledger (Repeat Finding 2018-002, 2019-002)**

**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  
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**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 Fund, 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 2020-003 – Lack of Internal Controls and Noncompliance Over Disbursement and Payroll Process (Repeat Finding – 2015-005, 2016-005, 2017-004, 2018-003, 2019-003)**

**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 disbursements process:

- Of the fifty-seven (57) disbursements tested:
  - Twenty (20) disbursements totaling \$775,962 could not be located. However, the approval of the disbursements was located within the Board of County Commissioners (BOCC) minutes.
  - Three (3) disbursements totaling \$67,671 were not timely encumbered.
  - Seven (7) disbursements totaling \$350,916 were not supported by adequate documentation.
  - Ten (10) disbursements totaling \$69,479 were not approved by Board of County Commissioners.
  - One (1) disbursement in the amount of \$11,959 paid a prior year expense with current year funds.
  - Three (3) payroll claims totaling \$5,817 were not supported by approval of an elected official or department head.

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- Of the ten (10) cash vouchers tested:
  - Three (3) claims totaling \$79 could not be located.
  - Seven (7) claims totaling \$1,256 were not supported by documentation.

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

**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 reviewing documents to make sure that purchasing procedures are followed. We have attended purchasing class and we are encouraging other departments to attend the class. All payroll claims are now being approved by each department and all documents are now being maintained within my office. When we have new employees, all information is now double checked to ensure all information is accurately processed with 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

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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.

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 2020-004 - Lack of Internal Controls Over Information Systems Security – County Clerk  
(Repeat Finding 2015-007, 2016-007, 2017-006, 2018-004, 2019-004)**

**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.

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**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 2020-006 – 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 Inmate Trust Policies and procedures, 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 be 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 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

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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, 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.



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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.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)