

City of Lawton

Single Audit Reports

Year Ended June 30, 2014



City of Lawton
Year Ended June 30, 2014

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

The Honorable Mayor and Members
of the City Council of the
City of Lawton, 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Lawton, Oklahoma (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2015, except for the additional restatements included in *Note 2.F.* as to which the date is April 18, 2016, which contained *Emphasis of Matter* paragraphs disclosing restatements of the City's financial statements. Our report includes a reference to other auditors who audited the financial statements of the Lawton Metropolitan Area Airport Authority, the Lawton Arts and Humanities Council, the McMahon Auditorium Authority, the Museum of the Great Plains Trust Authority, the Lawton Urban Renewal Authority, the Lawton Metropolitan Planning Organization and the City Employee Retirement Trust Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the City's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

The Honorable Mayor and Members
of the City Council of the
City of Lawton, Oklahoma
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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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 questioned costs as items 2014-01, 2014-02, 2014-04 and 2014-05 to be material weaknesses.

A significant deficiency is a deficiency, or a 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2014-03 to be a significant deficiency.

Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We also noted certain matters that we reported to the City's management in a separate letter dated September 25, 2015.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
September 25, 2015, except for findings
2014-04 and 2014-05 as to which the date is April 18, 2016.

**Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133****Independent Auditor's Report**

The Honorable Mayor and Members
of the City Council of the
City of Lawton, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Lawton's (City) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB), *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Basis for Qualified Opinion on Home Investment Partnerships Program (HOME)

As described in item 2014-06 in the accompanying schedule of findings and questions costs, the City did not comply with the requirements regarding reporting for its HOME program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

The Honorable Mayor and Members
of the City Council of the
City of Lawton, Oklahoma

Qualified Opinion on HOME

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a material and direct effect on HOME for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs for the year ended June 30, 2014.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Lawton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all material weaknesses or significant deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2014-06 to be a material weakness.

The Honorable Mayor and Members
of the City Council of the
City of Lawton, Oklahoma

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2014-07 to be a significant deficiency.

The City's response to internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questions costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 25, 2015, except for the additional restatements included in *Note 2.F.* as to which the date is April 18, 2016, which contained an unmodified opinion on those financial statements, a reference to the reports of other auditors and *Emphasis of Matter* paragraphs disclosing restatements of the City's financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Oklahoma City, Oklahoma
May 27, 2016, except for the paragraph on the
Schedule of Expenditures of Federal Awards,
which is September 25, 2015, except the restatements
as to which the date is April 18, 2016

City of Lawton
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Cluster/Program	Federal Grantor/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Expenditure Amount
U.S. Department of Housing and Urban Development				
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B-11-MC-40-0001	\$ 65,376
		14.218	B-12-MC-40-0001	626,518
				<u>691,894</u>
Oklahoma Neighborhood Stabilization Program	U.S. Department of Housing and Urban Development	14.228	B-08-DN-04-0001	2,691
Home Investment in Affordable Housing	U.S. Department of Housing and Urban Development	14.239	M-08-MC-40-0201	433
		14.239	M-10-MC-40-0201	152,119
		14.239	M-11-MC-40-0201	66,461
				<u>219,012</u>
Total U.S. Department of Housing and Urban Development				<u>913,597</u>
U.S. Department of Justice				
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.579	2009-DJ-BX-0830	44,090
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.579	2011-DJ-BX-2943	6,840
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.579	2012-DJ-BX-0996	29,513
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.579	2013-DJ-BX-0782	37,448
				<u>117,890</u>
COPS Hiring Program	U.S. Department of Justice	16.710	2010UMWX0252	305,412
Total U.S. Department of Justice				<u>423,302</u>
National Community Service Agency				
Retired Senior Volunteer Program	National Community Service Agency	94.002	13SRWOK002	23,956
Total National Community Service Agency				<u>23,956</u>
Federal Emergency Management Agency				
Public Assistance Grant	Federal Emergency Management Agency	97.036	FEMA-PA-1823-PW137	428
Fire Management Assistance Grant	Federal Emergency Management Agency	97.036	FM-2932	19,604
Total Federal Emergency Management Agency				<u>20,032</u>
U.S. Federal Highway Administration				
Lawton Alcohol & Traffic Enforcement Project	U.S. Department of Transportation / Oklahoma Highway Safety Department	20.600	K8-13-03-14-10, AK-13-03-02-10, CE-13-03-14-10	20,498
Lawton Alcohol & Traffic Enforcement Project	U.S. Department of Transportation / Oklahoma Highway Safety Department	20.600	OP-14-03-08-11	12,559
Total U.S. Federal Highway Administration				<u>33,057</u>
U.S. Department of Transportation – Federal Transit Cluster				
Formula Grants – ARRA	U.S. Department of Transportation	20.507	OK-96-X001	1,651
Formula Grants – ARRA	U.S. Department of Transportation	20.500	OK-04-0009	14,464
Formula Grants	U.S. Department of Transportation	20.507	OK-90-X114	1,227,923
Formula Grants	U.S. Department of Transportation	20.507	OK-90-X118	108,629
Formula Grants	U.S. Department of Transportation	20.507	OK-90-X119	311,892
Total Federal Transit Cluster				<u>1,664,559</u>

City of Lawton
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2014

Cluster/Program	Federal Grantor/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Expenditure Amount
U.S. Department of Homeland Security				
Public Assistance Grant	U.S. Department of Homeland Security	97.044	EMW-2008-FF-01189	\$ 286,260
Total U.S. Department of Homeland Security				286,260
U.S. Department of Transportation				
2nd St Pedestrian Corridor Enhancement Project Phase IV	U.S. Department of Transportation	20.205	STP-116E(183)EH	217,717
Lawton Downtown Revitalization	U.S. Department of Transportation	20.205		6,328
Total U.S. Department of Transportation				224,045
Environmental Protection Agency				
Water and Wastewater Infrastructure Improvements	Environmental Protection Agency	66.202		166,179
Total Environmental Protection Agency				166,179
Total Expenditures of Federal Awards				\$ 3,754,988

Notes to Schedule

1. This schedule includes the federal awards activity of the City, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the City provided no federal awards to subrecipients.
3. Expenditure amounts for some programs also include the expenditure of program income attributable to the federal funded activities.

The City of Lawton
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditor's Results, continued

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2014-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The City’s annual audited financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The City’s budgetary basis accounting system does not support an effective and efficient conversion from the budgetary basis of accounting to the GAAP basis of financial reporting. The City’s system also allows one individual to post journal entries without required review and approval and does not require the formal review and approval of changes to the City’s vendor master files. We also noted various errors in capital asset depreciation due to a combination of incorrect data and incorrect depreciation methods used by the system.</p> <p>Context – Accurate GAAP basis financial statements are critical to communicating financial position and results of operations to the citizens of the City and other interested parties.</p> <p>Effect – Adjusting entries were required during the audit process to correct the City’s accounting records, including a restatement of beginning of year capital asset-related balances. The current system also significantly complicates the process of building and supporting year-end GAAP basis financial statements, impacting the timeliness of preparing and issuing the year-end audited GAAP basis financial statements.</p> <p>Cause – The current accounting system does not facilitate GAAP basis reporting and does not provide effective review of adjusting journal entries and changes to vendor master files.</p> <p>Recommendation – We recommend the City evaluate its current system and identify options for improving the GAAP basis financial statement preparation process and the other specific system issues identified above.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. Given the limitations of our GEMS system, additional procedures will be implemented to require formal procedures for the review and approval of posting journal entries and updating vendor master files. Periodic review of capital assets should also be part of these procedures. Efforts will also be made to improve the linkage between the City’s budgetary basis balances and the balances presented in the City’s annual audited financial statements. Software to help city staff convert from budgetary basis to GAAP basis financials is budgeted in Fiscal Year 2016.</p>

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Reference Number	Finding
2014-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The City utilizes a budgetary basis of accounting for its daily accounting records and only converts to an accrual basis of accounting on an annual basis for its year-end financial reporting. During the course of the audit, we encountered the need to propose numerous correcting entries to accruals, capital assets, the carrying value of land held for resale on Lawton Economic Development Authority’s books, cash and investment balances and other matters. Some of these corrections impacted prior years and resulted in a restatement of the City’s previously issued financial statements.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – The beginning of year net position and fund balances and cash and investment balances in the City’s 2014 statements of activities and revenues, expenditures and changes in fund balances and proprietary funds statement of cash flows were restated to correct errors in prior year accruals, capital asset balances, the carrying value of land held for resale and cash and investment balances. In addition, other adjustments were required to correct 2014 balances.</p> <p>Cause – The financial services department personnel have limited experience preparing GAAP basis financial statements and there is a limited qualitative review of the accrual entries and other GAAP basis entries being made to ensure they are accurate and properly recorded.</p> <p>Recommendation – The City should review the volume and capacity of personnel in the City’s finance function and financial services department and evaluate the need to enhance the capabilities of the accounting function through additional training and personnel so the finance services department is better equipped to prepare accurate GAAP basis financial statements. This may require a substantial commitment to this matter if meaningful results are to be achieved.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. The City has added personnel to the financial services department, and a cross-training program has been implemented. Additional personnel are needed to handle the volume of transactions and additional training is needed to move towards preparation of GAAP basis financial statements. Efforts will be made to obtain these additional personnel and provide the needed training. Software to help city staff convert from budgetary basis to GAAP basis financials is budgeted in Fiscal Year 2016.</p>

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Reference Number	Finding
2014-03	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The City does not have formal accounting policies and procedures over the City’s accounting and internal control processes, and current processes and procedures may not effectively limit duties to minimize risks associated with segregation of duties.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Misstatements in the financial statements resulting from errors that occurred and were not detected and/or corrected in a timely manner created the need to record audit adjustments to correct the errors.</p> <p>Cause – Certain deficiencies in the overall financial statement preparation and review process allowed for undetected errors to occur.</p> <p>Recommendation – We recommend the financial services department evaluate the need to implement additional accounting policies and internal control procedures to strengthen the department’s ability to accurately prepare GAAP basis financial statements for the City and related component units. In this process, the City should also evaluate the segregation of duties of financial services department personnel in order to minimize the potential risk associated with limited segregation of duties.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. The City will implement additional policies and procedures over the City’s accounting and financial reporting processes. These policies and procedures will require additional review and approval of reconciliations and account analysis and give the City the ability to make timely corrections, as needed.</p>

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Reference Number	Finding
2014-04	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – While performing the Single Audit of the City’s federal award expenditures, we determined the amount included by the City in the initial draft of the Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2014, for the EPA program (CFDA 66.202) was materially in error, as \$767,700 of the amount included in the City prepared SEFA was for expenditures that occurred prior to June 30, 2013. We also determined these amounts were not properly included in the City’s 2013 SEFA, and had they been properly included in the 2013 SEFA, this program would have been a major program in 2013. Based on additional research, we also determined that the previously issued 2013 and 2014 audited financial statements were materially in error, as the 2005 CIP Fund did not reflect \$416,112 of the proper intergovernmental revenues in 2013 and 2014. As the auditors for the 2014 financial statements, we determined it was necessary to reissue the 2014 financial statements and they have been reissued.</p> <p>Context – Accurate GAAP basis financial statements are critical to communicating financial position and results of operations to the citizens of the City and other interested parties.</p> <p>Effect – Adjusting entries were required during the audit process to correct the City’s 2014 SEFA and the 2014 audited financial statements were recalled and reissued to correct errors reported in the 2005 CIP Fund intergovernmental accounts in the original 2014 audited financial statements.</p> <p>Cause – The current budgetary basis accounting system does not facilitate GAAP basis reporting and procedures performed in preparing GAAP basis financial statements did not identify all required accruals related to the City’s intergovernmental revenue accounts.</p> <p>Recommendation – We recommend the City evaluate its current system and identify options for improving the GAAP basis financial statement preparation process.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The amounts of grant revenue and expenditures not properly recorded in the correct fiscal years, as noted in this finding, are primarily due to miscommunications between the department(s) of the City responsible for the grant awards and Financial Services with respect to the timing of reimbursement requests made from federal grant administrative entities. In the future, in order to ensure an appropriate accounting cut-off between fiscal years, the City’s Finance Director will be required to sign on all grant reimbursement request forms filed by the responsible departments.</p>

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Reference Number	Finding
2014-05	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The City utilizes a budgetary basis of accounting for its daily accounting records and only converts to an accrual basis of accounting on an annual basis for its year-end financial reporting. As a result of this practice, it was determined that the 2014 financial statements omitted reporting a material receivable in the amount of \$902,500.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Adjusting entries were required during the audit process to correct the City’s 2014 financial statements and the 2014 audited financial statements were recalled and reissued to correct errors reported in the 2012 CIP Fund intergovernmental accounts and in the originally issued 2014 audited financial statements</p> <p>Cause – The current budgetary basis accounting system does not facilitate GAAP basis reporting and procedures performed in preparing GAAP basis financial statements did not identify all required accruals related to the City’s intergovernmental revenue accounts.</p> <p>Recommendation – We recommend the City evaluate its current system and identify options for improving the GAAP basis financial statement preparation process.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The amounts of grant revenues and expenditures not properly recorded in the correct fiscal years, as noted in this finding, are primarily due to miscommunications between the department(s) of the City responsible for the grant awards and Financial Services with respect to the timing of reimbursement requests made from grant administrative entities. In the future, in order to ensure an appropriate accounting cut-off between fiscal years, the City’s Finance Director will be required to sign on all grant reimbursement request forms filed by the responsible departments.</p> <p>Additionally, Financial Services will be more diligent in the recording of receivables and revenue relative to any project expenditures made for or concerning grant award programs.</p>

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2014-06	<p>Reporting</p> <p>Federal Program: CFDA 14.239 Home Investment Affordable Housing (HOME)</p> <p>Criteria or Specific Requirement – Section 3 of the <i>Housing and Urban Development Act</i> of 1968 (12 U.S.C. 1701u), includes annual reports using Form HUD 60002 required of direct recipients of housing and community development assistance in excess of \$200,000 such as HOME Investment Partnership Grants.</p> <p>Condition – The HUD 6002 <i>Section 3 Summary Report Economic Opportunities for Low-and Very Low-Income Persons</i> was not submitted for the HOME program for Fiscal Year 2014.</p> <p>Context – The performance report provides information to the Federal Grantor about the City’s ability to meet the program needs of the low income persons and if program goals and requirements are met.</p> <p>Effect – Neither the City of Lawton, nor its Federal Granting agency, can monitor the impact nor the performance of the HOME program in the community.</p> <p>Cause – The City’s HUD program was in the process of undergoing changes in its policies and procedures as a result of a prior finding. Properly designed controls had not yet been implemented.</p>	None

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Reference Number	Finding	Questioned Costs
	<p>Views of Responsible Officials and Planned Corrective Action – The amounts of grant revenues and expenditures not properly recorded in the correct fiscal years, as noted in this finding, are primarily due to miscommunications between department(s) of the City responsible for the grant awards and Financial Services with respect to the timing of reimbursement requests made from the federal grant administrative entities. In the future, in order to ensure an appropriate accounting cut-off between fiscal years, the City’s Finance Director will be required to sign on all grant reimbursement request forms filed by the responsible departments. The City is also interested in exploring in greater detail a recommendation made by the auditor concerning a tracking worksheet used with success by other municipalities. In addition, Financial Services will be more diligent in the recording of receivables and revenue relative to any project expenditures made for or concerning grant award programs.</p>	

The City of Lawton
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2014

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2014-07	<p>Reporting, Eligibility</p> <p>Federal Program: CFDA 14.239 HOME</p> <p>Criteria or Specific Requirement – The OMB Circular A-133 required recipients of federal funds to establish a system of internal control over federal program activities to provide reasonable assurance that financial accountings, reporting and compliance objectives are met.</p> <p>Condition – The HUD programs do not have internal controls that are properly designed and operating to ensure compliance with federal programs. As a result, no evidence exists to indicate that review and/or approval to ensure program requirements such as eligibility determination, certificate verifications, on-site reviews and reporting requirements are met.</p> <p>Context – Internal controls that are properly designed and operating effectively ensure program requirements are met and that the program is operating efficiently.</p> <p>Effect – Program funds may be expended for unallowable expenditures and/or for ineligible recipients resulting in noncompliance with program requirements and potential questioned costs.</p> <p>Cause – The City’s HUD program was in the process of undergoing changes in its policies and procedures as a result of a prior finding. Properly designed controls had not yet been implemented.</p> <p>Views of Responsible Officials and Planned Corrective Action – As noted above, the non-filing of this report was due to a transition that occurred within the HUD program’s management and staff. The responsible parties of the City are aware of the requirements pertaining to HUD Form 60002, and will endeavor to put policies and controls in place to make certain that reports are filed on a timely basis in the future.</p>	None

City of Lawton
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

<i>Reference Number</i>	<i>Finding</i>	<i>Status</i>
2013-01	<p>Misappropriation of Assets</p> <p>Federal Program: CFDA 14.239 Home Investment Partnerships Program (HOME)</p> <p>Criteria or Specific Requirement – Consistent with the requirements in OMB Circular A-133, internal controls over major programs should be designed and monitored to prevent and detect fraud.</p> <p>Condition – Funds received by the Community Service Department totaling \$18,295 were not subsequently deposited into the City’s cash accounts.</p> <p>Cause and Effect – The City’s internal controls for CFDA 14.239, Home Investment Partnership Program were not effective, allowing a city employee access to receive and deposit funds. It appears the employee misappropriated the funds for personal gain.</p>	<p>Resolved. The Community Service Department terminated the individual involved in the misappropriation of assets. In addition, an Administrative Policy was developed on April 1, 2015, that identifies controls and monitoring over cash receipts and disbursement activity for the department’s programs.</p>