

CITY OF LAWTON, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

JUNE 30, 2009

a² | **Arledge**
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAWTON, OKLAHOMA

TABLE OF CONTENTS

PAGE

SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

Reports related to financial statements of the reporting entity

Required by GAO Government Auditing Standards:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	1
--	---

Reports related to Federal Assistance Programs Required by OMB Circular A-133:

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance	3
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	14



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 City Council
City of Lawton, Oklahoma

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 of Lawton, Oklahoma (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 7, 2010. 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. We did not audit the financial statements of Lawton Metropolitan Area Airport Authority, the Lawton Arts and Humanities Council, the McMahon Auditorium Authority, the Museum of the Great Plains Trust Authority, and the City Employees Retirement Trust Fund, which the City reports as a Pension Trust Fund, as described in our report on the City's financial statements. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented component units and the Pension Trust Fund, are based on the reports of the other auditors. 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

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be 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 a 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 deficiency described in the accompanying schedule of findings and questioned costs as Finding 2009-01 to be a material weakness.

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 questioned costs to be significant deficiencies. See Findings 2009-03 and 2009-04.

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

This report is intended solely for the information and use of the Mayor, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Edmond, Oklahoma
October 7, 2010



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council
City of Lawton, Oklahoma

Compliance

We have audited the compliance of the City of Lawton, Oklahoma (the "City") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance

requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as finding 2009-02. 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.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards

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, 2009, and have issued our report thereon dated October 7, 2010. 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 basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Edmond, Oklahoma
October 7, 2010

City of Lawton, Oklahoma
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass through agency Grantor/Program Title	CFDA Number	Grant Number	Federal Expenditures
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Community Development Block Grant	14.218	B-05-MC-40-001	\$ -
	14.218	B-06-MC-40-001	316,294
	14.218	B-07-MC-40-001	889,183
	14.218	B-08-MC-40-001	21,568
			<u>1,227,045</u>
Housing and Urban Development - Section 108	14.248	B-06-MC-40-001	144,555
Home Investment Partnerships Program	14.239	M-05-MC-40-0201	4,046
	14.239	M-06-MC-40-0201	82,962
	14.239	M-07-MC-40-0201	292,851
	14.239	M-08-MC-40-0201	19,130
			<u>398,989</u>
Total U.S. Department of Housing and Urban Development			<u>1,626,034</u>
U. S. DEPARTMENT OF JUSTICE:			
Edward Byrnes Memorial Formula Grant Program	16.579	2006-DJ-BX-0801	889
	16.579	2007-DJ-BX-1453	72,381
	16.579	2008-DJ-BX-0488	33,250
			<u>106,520</u>
Bulletproof Vest Partnership Program	16.607	2004-BUBX04023433	17,168
	16.607	2005-BUBX04023433	10,138
	16.607	2007-BUBX04023433	6,210
	16.607	2008-BUBX04023433	4,025
			<u>37,541</u>
Total U.S. Department of Justice			<u>144,061</u>
U.S. DEPARTMENT OF TRANSPORTATION			
State and Community Highway Safety	20.600	PT-08-0315-05/KB-08-03-02-01	93,642
	20.600	PT-09-0314-06/KB-09-03-05-02	11,741
			<u>105,383</u>
Federal Transit-Cluster			
Federal Transit Formula Grants	20.507	OK-90-X084-00	400,487
	20.507	OK-90-X082-00	21,908
	20.507	OK-90-X096-00	166,586
	20.507	OK-90-X088-00	853,641
ARRA - Federal Transit Formula Grants	20.507	OK-96-X001-01	65,936
			<u>1,508,558</u>
Federal Transit Capital Investment Grants	20.500	OK-04-0004-00	226,577
	20.500	OK-90-0042-00	434,511
			<u>661,088</u>
Total Federal Transit-Cluster			<u>2,169,646</u>
Total U.S. Department of Transportation			<u>2,275,029</u>

City of Lawton, Oklahoma
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/Pass through agency Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
State Homeland Security Program	97.073	2005 GET5-0028 40.002	98
	97.073	2007 GET7-0001 103.0005	14,995
	97.073	2007 GET7-0001 83.002	215,535
			<u>230,628</u>
Disaster Grants - Public Assistance (Note 3)	97.036	FEMA-PA-1712	828,967
	97.036	FEMA-PA-1707	14,423
			<u>843,390</u>
Total Department of Homeland Security			<u>1,074,018</u>
DEPARTMENT OF DEFENSE			
Community Economic Adjustment Assistance for Establishment, Expansion Realignment, or Closure of a Military Installation	12.607	RA06105-07-02	<u>186,625</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Retired and Senior Volunteer Program	94.002	07SRWOK003	<u>27,252</u>
Total Federal Awards			<u>\$ 5,333,019</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City of Lawton (the "City") under programs of the federal government for the year ended June 30, 2009. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

Note 3. Disaster Grants

Expenditures under this grant reported above were incurred in previous years with reimbursement received in the current year.

CITY OF LAWTON, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? X yes no
Significant deficiency(ies) identified
not considered to be material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
Material weakness (es) identified? yes X no
Significant deficiency (ies) identified
not considered to be material weakness (es)? X yes none reported

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

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507 & 20.500	Federal Transit Cluster
97.036	Disaster Grants – Public Assistance

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

Auditee qualified as low-risk auditee? yes X no

CITY OF LAWTON, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

2009-01, 2009-03, and 2009-04

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

There are no findings requiring reporting under this section.

Internal Control Findings

2009-02

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

**Finding 2009-01 Controls Over Financial Reporting
(Prior Year Finding 2008-1)**

Criteria: The City's financial reporting process has two overarching goals. First, the City's financial reporting process must faithfully represent the activity it purports to represent. Second, the information must be timely – that is making the audited financial information available to decision makers before it loses its capacity to influence decisions.

Condition: Over the past several years, in order to issue complete and fairly presented annual financial statements, material audit adjustments have been required to adjust the trial balances that are used to prepare the annual financial statements. In addition, complete and accurate working trial balances and related annual financial statement information have not been available for audit until six to nine months after the end of the fiscal year. More specifically, the first drafts of the balance sheets were not received until January 22, 2010. Further issues are as follows:

Capital assets – A significant number and magnitude of adjustments were required to the City's capital asset records. As a result of significant year-end reconciliations and related adjustments that were needed by City staff, accounting and reporting over the City's capital assets caused a significant delay in issuing the City's financial statements.

Long-term debt – Similar to capital assets above, a number of material adjustments were required to the City's long-term debt.

Cash Reconciliations – The City has an overly-complex cash management system that leads to entries not being booked in a timely manner, multiple AJE's being needed at each month-end in order to reconcile, and a complicated reconciliation process. Because of these underlying issues, there is not established process for review for clerical errors or approval of a supervisor. Several significant adjustments were needed at year-end in order to reconcile cash accounts and correct clerical errors within these reconciliations causing a significant delay in issuing the City's financial statements.

Annual close-out process – The City generally keeps its records on the budget basis of accounting to facilitate monthly budget and actual reporting. That is, revenues and expenditures in the City's governmental funds are typically recognized when cash is received or paid. For annual external reporting purposes, these internal reports must be manually converted by City staff to comply with more stringent and detailed applicable accounting standards for presentation of annual financial statements in accordance with generally accepted accounting principles. In performing this close-out, we have experienced significant difficulty in auditing the conversion or reconciliation schedules. The City should strive to make the entire process more transparent, provide an adequate audit trail of how amounts carry over and reconcile between schedules, and ensure the schedules properly add and balance.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

City Employees Retirement System – The City's Employees Retirement System is included as a pension trust fund in the City's annual financial statements and therefore is subject to independent audit. The System's financial statements are audited by other auditors, whose report we rely upon in issuing our opinions on the City's reporting entity financial statements. Although we do not audit the System, it is our understanding the City experienced delays in providing the necessary information to the other auditors and that the report from the other auditors was not issued until March 22, 2010. While the matters noted above delayed issuance of the City's financial statements, a timely report on the retirement system is essential to issuing the City's financial statements in a timely fashion.

Cause: The City has undergone a significant accounting system conversion that has required a great deal of the resources and focus of the City's finance department over the past several years. This effort may explain a number of the individual issues noted above. However, in our observation, these issues considered collectively suggest that additional training of existing staff, adding additional staff, or outsourcing certain functions – or some combination thereof – is necessary to help the City staff improve the completeness, accuracy, and timeliness of annual financial reporting.

Effect or Potential Effect: Without timely financial statements, decision makers, such as the governing body, management, bondholders, creditors, granting agencies, and others may not have access to needed audited information in a timely manner. Further, without remediation, future financial statements issued by the City could contain material misstatements.

Recommendation: We recommend that the City explore additional training of existing staff, adding staff, outsourcing certain functions – or some combination thereof, in order to ensure that future financial statements are materially correct and made available in a timely fashion, both for internal managerial purposes and to ensure external filing deadlines imposed upon the City are met.

City's Response: The City has hired outside financial consultants to assist in the preparation and review of financial statements and support to be submitted to the auditor.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

**Finding 2009-02 FEMA Allowable Costs
FEMA Grant CFDA# 97.036
Award Year 2008-2009**

Criteria: Machinery and equipment costs submitted for reimbursement must be the correct FEMA-approved cost and equipment code.

Condition: The City has a hard-copy list of equipment sorted by equipment code and another list sorted by type of equipment. City personnel manually enter into a spreadsheet to be submitted to FEMA the equipment cost or associated code with the equipment used on a particular project.

Cause: The City does not require a second employee to review the equipment codes or costs entered.

Effect or Potential Effect: The City entered some equipment codes or costs incorrectly and submitted a schedule of allowable costs for expense reimbursement that was a higher amount (though immaterial) than the correct costs would have been.

Questioned Costs: None

Recommendation: Data that requires manual entry should be reviewed by a second individual prior to submission.

City's Response: In the future the City will attempt to submit electronically generated equipment cost to support projects. If the City has to manually convert data to electronic format the submission, a review and approval process will be implemented. The process will require a second person to verify the accuracy of the manually entered data.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

Finding 2009-03 Controls Over Disbursements (Electronic Approvals)

Criteria: Controls should be in place to prevent employees from overriding the normal disbursement approval procedure.

Condition: The City has an electronic approval system for all invoices. The particular invoice will not be paid until all the required approvals have been completed. However, there is nothing preventing a single employee from signing off in the place of all persons required.

Cause: The City's accounts payable system apparently captures all the data, but does not prevent an invoice from being paid if only one person has approved it.

Effect or Potential Effect: Unauthorized purchases could be made by the City through its employees and not be detected by management in a timely manner.

Recommendation: We recommend that the City review its system controls in order to prevent staff from overriding the controls.

City's Response: The Finance Department will work closely with outside consultants, the information Technology Department, and the software company to develop and test IT controls to properly segregate duties related to approval of invoices. A different approval order is now in place.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

Finding 2009-04 Controls Over Encumbrances

Criteria: Pursuant to Oklahoma Statutes and the City's purchasing policy, expenditures are to be encumbered with a purchase order in advance of ordering the goods or services.

Condition: In our detailed testwork over disbursements, we noted instances whereby the purchase order appears to have been created, and thus the encumbrance made, after the goods or services were ordered and received by the City.

Cause: The City changed accounting systems, resulting in different protocols and standard operating procedures.

Effect or Potential Effect: Failure to timely encumber funds with an authorized purchase order can cause the City to over expend its budget or to incur unauthorized charges.

Recommendation: We recommend that the City review its purchasing processes to ensure that purchase orders are initiated and approved prior to ordering the related goods and services to ensure that purchases are authorized and budgeted.

City's Response: The City is continuing to address this concern and monitor purchases being made without prior approval. It is virtually impossible to eliminate 100 percent of this problem due to the employee's ability to purchase items from vendors that do not require purchase orders. However, Accounting continues to notify department directors when they detect a violation of our policy.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008**

Finding 2008-01 Controls Over Financial Reporting

Criteria: The City's financial reporting process has two overarching goals. First, the City's financial reporting process must faithfully represent the activity it purports to represent. Second, the information must be timely – that is making the audited financial information available to decision makers before it loses its capacity to influence decisions.

Condition: Over the past several years, in order to issue complete and fairly presented annual financial statements, a number of material audit adjustments have been required to adjust the trial balances that are used to prepare the annual financial statements. In addition, complete working trial balances and certain other related annual financial statement information have not been available for audit until six to nine months after the end of the fiscal year. More specifically:

Capital assets – A significant number and magnitude of adjustments were required to the City's capital asset records, including adjustments to previously audited financial statements. As a result of significant year-end reconciliations and related adjustments that were needed by City staff, as well as implementing new software for capital assets during the year, accounting and reporting over the City's capital assets caused a significant delay in issuing the City's financial statements.

Long-term debt – Similar to capital assets above, a number of material adjustments were required to the City's long-term debt, including an adjustment to previously audited financial statements.

Annual close-out process – The City generally keeps its records on the budget basis of accounting to facilitate monthly budget and actual reporting. That is, revenues and expenditures in the City's governmental funds are typically recognized when cash is received or paid. For annual external reporting purposes, these internal reports must be manually converted by City staff to comply with more stringent and detailed applicable accounting standards for presentation of annual financial statements in accordance with generally accepted accounting principles. In performing this close-out, we have experienced significant difficulty in auditing the conversion or reconciliation schedules. The City should strive to make the entire process more transparent, provide an adequate audit trail of how amounts carry over and reconcile between schedules, and ensure the schedules properly add and balance.

City Employees Retirement System – The City's Employees Retirement System is included as a pension trust fund in the City's annual financial statements and therefore is subject to independent audit. The System's financial statements are audited by other auditors, whose report we rely upon in issuing our opinions on the City's reporting entity financial statements. Although we do not audit the System, it is our understanding the City experienced delays in providing the necessary information to the other auditors and that the report from the other auditors was not issued until July 17, 2009. Due to the untimely arrival of this report, the issuance of the City's financial statements was delayed.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008**

Cause: The City has undergone a significant accounting system conversion that has required a great deal of the resources and focus of the City's finance department over the past several years. This effort may explain a number of the individual issues noted above. However, in our observation, these issues considered collectively suggest that additional training of existing staff, adding additional staff, or outsourcing certain functions – or some combination thereof – may be necessary to help the City staff improve the completeness, accuracy, and timeliness of annual financial reporting.

Effect or Potential Effect: Without timely financial statements, decision makers, such as the governing body, management, bondholders, creditors, granting agencies, and others may not have access to needed audited information in a timely manner. Further, without remediation, future financial statements issued by the City could contain material misstatements.

Recommendation: We recommend that the City explore additional training of existing staff, adding staff, outsourcing certain functions – or some combination thereof, in order to ensure that future financial statements are materially correct and made available in a timely fashion, both for internal managerial purposes and to ensure external filing deadlines imposed upon the City are met.

Corrective Action Plan FY-2008: Due to funding constraints and the implementation of the various sections of the new accounting system, we were unable to obtain additional training that may have assisted in a more timely audit. Also programming from GEMS programmers was required to resolve some of the fixed asset program issues that were encountered during the audit preparation that contributed to the delay. Requests have been made during the budgeting process for additional staff and training to assist in meeting timely deadlines.

Current Status: See finding 2009-01.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008**

Finding 2008-02 Controls Over Encumbrances

Criteria: Pursuant to Oklahoma Statutes and the City's purchasing policy, expenditures are to be encumbered with a purchase order in advance of ordering the goods or services.

Condition: In our detailed testwork over disbursements, we noted instances whereby the purchase order appears to have been created, and thus the encumbrance made, after the goods or services were ordered and received by the City.

Cause: The City changed accounting systems, resulting in different protocols and standard operating procedures.

Effect or Potential Effect: Failure to timely encumber funds with an authorized purchase order can cause the City to over expend its budget or to incur unauthorized charges.

Recommendation: We recommend that the City review its purchasing processes to ensure that purchase orders are initiated and approved prior to ordering the related goods and services to ensure that purchases are authorized and budgeted.

Corrective Action Plan FY-2008: There have been several discussions with management about this issue prior to the audit and how to resolve it. With the use of the new financial reporting system, the City is in the process of developing a purchasing program to assist and resolve the issue of purchases being made prior to getting the purchase orders.

Current Status: See Finding 2009-04.

CITY OF LAWTON, OKLAHOMA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008**

Finding 2008-03 Controls Over Payroll Disbursements

Criteria: Controls should be in place to reconcile payroll disbursements, including electronic drafts, between approved payroll registers and the related bank activity.

Condition: The City allows employees to be paid by check or direct deposit. Employees can further direct pay electronically to a primary account and to multiple secondary accounts. The City reviews its payroll made by check and by direct deposit to the primary account; however, we noted no controls to review or reconcile direct deposits made to secondary accounts.

Cause: The City's payroll system apparently captures all the necessary data, but does not report the secondary direct deposit fields, limiting staff on their ability to review those transactions.

Effect or Potential Effect: Unauthorized direct deposits could be made by the City to its employees and not be detected by staff in a timely manner.

Recommendation: We recommend that the City review its report generating capabilities or explore alternative means to ensure that direct deposits, including secondary accounts, are properly authorized and reviewed.

Corrective Action Plan FY-2008: Currently direct deposits are compared and balanced to direct deposit reports generated by the payroll system to the bank statements. As we become more familiar with our new financial software we will review its reporting capabilities as it relates to ensuring direct deposits are properly authorized and accounted for.

Current Status: This matter was addressed for the current year.