

# **City of Lawton**

Single Audit Reports

June 30, 2015





**City of Lawton**  
**June 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 22, 2016, which contained *Emphasis of Matters* paragraphs disclosing a change in accounting principles and 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 McMahan Auditorium Authority, the Museum of the Great Plains Trust 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, as applicable.

***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 of the financial statements, 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, material weaknesses or significant deficiencies may exist that were not 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

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 2015-001 and 2015-002 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 2015-003 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 the Findings***

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 June 30, 2017.

### ***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  
November 22, 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 (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. 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 U.S. Office of Management and Budget (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.

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

***Basis for Qualified Opinions on the Home Investment Partnerships Program (HOME) and the Federal Transit Cluster***

As described in item 2015-004 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding reporting for its HOME program. Additionally, as described in item 2015-006 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding period of availability for its Federal Transit Cluster program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to these programs.

***Qualified Opinions on HOME and the Federal Transit Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinions on the Home Investment Partnerships Program (HOME) and the Federal Transit Cluster* 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 the HOME program and the Federal Transit Cluster program for the year ended June 30, 2015.

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

**Report on Internal Control over Compliance**

Management of the City 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 a material weakness 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 questioned costs as item 2015-004 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-005, 2015-006 and 2015-007 to be significant deficiencies.

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

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 22, 2016, which contained an unmodified opinion on those financial statements, a reference to the reports of other auditors and *Emphasis of Matters* paragraphs disclosing restatements of the City's financial statements due to a change in accounting principles and correction of errors. 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  
June 30, 2017, except for the paragraph on the  
Schedule of Expenditures of Federal Awards,  
which is November 22, 2016



**City of Lawton**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant	U.S. Department of Housing and Urban Development	14.218	B-11-MC-40-0001	\$ 41,331
		14.218	B-12-MC-40-0001	<u>682,711</u>
				<u>724,042</u>
Oklahoma Neighborhood Stabilization Program	U.S. Department of Housing and Urban Development	14.228	B-08-DN-04-0001	<u>2,426</u>
HOME Investment Partnerships Program	U.S. Department of Housing and Urban Development	14.239	M-10-MC-40-0201	14,866
		14.239	M-11-MC-40-0201	188,253
		14.239	M-12-MC-40-0201	<u>22,461</u>
				<u>225,580</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<b><u>952,048</u></b>
<b>U.S. Department of Justice</b>				
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.738	2011-DJ-BX-2943	20,135
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.738	2012-DJ-BX-0996	37,765
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.738	2013-DJ-BX-0782	6,556
Edward Byrnes Memorial Grant	U.S. Department of Justice	16.738	2014-DJ-BX-0083	<u>15,742</u>
<b>Total U.S. Department of Justice</b>				<b><u>80,198</u></b>
<b>National Community Service Agency</b>				
Retired Senior Volunteer Program	National Community Service Agency	94.002	13SRWOK002	<u>24,956</u>
<b>Total National Community Service Agency</b>				<b><u>24,956</u></b>
<b>Federal Emergency Management Agency</b>				
Debris Alternative Procedures	Federal Emergency Management Agency	97.036	PA-06-OK-PW-00659(0)	45,172
Emergency Protective Measures	Federal Emergency Management Agency	97.036	PA-06-OK-PW-01296(0)	<u>58,875</u>
<b>Total Federal Emergency Management Agency</b>				<b><u>104,047</u></b>
<b>U.S. Federal Highway Administration</b>				
Lawton Alcohol & Traffic Enforcement Project	U.S. Department of Transportation/ Oklahoma Highway Safety Department	20.600	OP-14-03-08-11	8,293
Lawton Alcohol & Traffic Enforcement Project	U.S. Department of Transportation/ Oklahoma Highway Safety Department	20.600	164AL-15-03-10-12	<u>58,156</u>
<b>Total U.S. Federal Highway Administration</b>				<b><u>66,449</u></b>
<b>U.S. Department of Transportation</b>				
<i>Federal Transit Cluster</i>				
Formula Grants	U.S. Department of Transportation	20.507	OK-90-X119	1,398,149
Formula Grants	U.S. Department of Transportation	20.507	OK-90-X123	164,660
Formula Grants	U.S. Department of Transportation	20.507	OK-90-X125	<u>6,068</u>
<i>Total Federal Transit Cluster</i>				<b><u>1,568,877</u></b>

**City of Lawton**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
<i>Transit Services Programs Cluster</i>				
JARC – ODOT	U.S. Department of Transportation	20.516	OK-37-X0450000/01	\$ 28,354
<i>Total Transit Services Programs Cluster</i>				<u>28,354</u>
Congestion Mitigation – Air Quality Project	U.S. Department of Transportation/ Oklahoma Department of Transportation	20.204	CMA 216E (014) LC	<u>217,639</u>
<b>Total U.S. Department of Transportation</b>				<u><b>1,814,870</b></u>
<b>Total Expenditures of Federal Awards</b>				<u><u><b>\$ 3,042,568</b></u></u>

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Lawton (the City) under programs of the federal government for the year ended June 30, 2015. The information in the Schedule is presented in accordance with the requirements of the U.S. 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 position or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
3. Of the federal expenditures presented in the Schedule, the City provided no federal awards to subrecipients.

**City of Lawton  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

***Summary of Auditor's Results***

1. The opinions expressed in the independent auditor's report were:  
 Unmodified     Qualified     Adverse     Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:  
 Significant deficiency(ies)?     Yes     None reported  
 Material weakness(es)?     Yes     No
3. Noncompliance considered material to the financial statements was disclosed by the audit?     Yes     No
4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:  
 Significant deficiency(ies)?     Yes     None reported  
 Material weakness(es)?     Yes     No
5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on major federal awards was qualified for the HOME Investment Partnerships Program and the Federal Transit Cluster.
6. The audit disclosed findings required to be reported by OMB Circular A-133?     Yes     No

7. The City's major programs were:

Cluster/Program	CFDA Number
HOME Investment Partnerships Program	14.239
Federal Transit Cluster	20.507

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

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Findings Required to be Reported by Government Auditing Standards**

<b>Reference Number</b>	<b>Finding</b>
2015-001	<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. Additionally, we 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. 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 financial statements was budgeted in fiscal year 2016.</p>

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

<b>Reference Number</b>	<b>Finding</b>
2015-002	<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, cash and investment balances, and other matters.</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 – Several adjusting entries were proposed and required to be recorded to the City’s records in order for the financial statements to be issued in compliance with GAAP. The beginning of year net position, fund balances and cash and investment balances in the City’s 2015 government-wide – statement of activities and governmental funds – statement of 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 2015 balances. Additionally, several additional entries were proposed to be recorded but ultimately were determined by management to not be material to the financial statements.</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 financial services department is better equipped to prepare accurate GAAP basis financial statements. This may require a substantial commitment in time and dollars 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 toward preparation of GAAP basis financial statements. Efforts will be made to obtain additional personnel and provide the needed training. Software to help city staff convert from budgetary basis to GAAP basis financial statements was budgeted in fiscal year 2016.</p>

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

<b>Reference Number</b>	<b>Finding</b>
2015-003	<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 policies 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>

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

**Findings Required to be Reported by OMB Circular A-133**

Reference Number	Finding	Questioned Costs
2015-004	<p style="text-align: center;">HOME Investment Partnerships Program CFDA No. 14.239 U.S. Department of Housing and Urban Development (HUD) Reporting</p> <p>Criteria or Specific Requirement – Section 3 of the <i>Housing and Urban Development Act of 1968</i> (12 U.S.C. 1701u) requires annual submission of reports (using HUD Form 60002) by direct recipients of housing and community development assistance in excess of \$200,000, such as the HOME Investment Partnership Grants.</p> <p>Condition – The HUD 60002 Section 3 Summary Report, <i>Economic Opportunities for Low- and Very Low-Income Persons</i>, was not submitted for the HOME program for fiscal year 2015.</p> <p>Context – The performance report provides information to the federal granting agency about the City’s ability to meet the program needs of low-income persons and if program goals and requirements are met.</p> <p>Effect – Neither the City nor its federal granting agency can monitor the impact or the performance of the HOME program in the community.</p> <p>Cause – The City’s HUD programs were in the process of undergoing changes in their 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 – 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> <p>Contact Person Responsible for Corrective Action – City Finance Director</p> <p>Anticipated Completion Date – Immediately</p>	None

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Reference Number	Finding	Questioned Costs
2015-005	<p style="text-align: center;">HOME Investment Partnerships Program  CFDA No. 14.239  U.S. Department of Housing and Urban Development (HUD)  Allowable Cost, Eligibility</p> <p>Criteria or Specific Requirement – OMB Circular A-133 requires recipients of federal funds to establish a system of internal control over federal program activities to provide reasonable assurance that financial accounting, reporting and compliance objectives are met.</p> <p>Condition – The City’s HUD programs do not have internal controls that are properly designed and operating to ensure compliance with certain federal program requirements. As a result, certain items selected for testing did not have physical documentation to indicate that a review and/or approval were complete to ensure program requirements, such as eligibility determination, certificate verifications or allowable cost activities, are being 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 programs were in the process of undergoing changes in their policies and procedures as a result of a prior finding. Properly designed controls had not yet been implemented.</p>	None



**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
2015-005, continued	<p>Views of Responsible Officials and Planned Corrective Action – The responsible parties of the City are aware of the internal control requirements of recipients of federal funds, as specified by OMB Circular A-133, pertaining to the establishment of an internal control system over federal program activities and have been endeavoring to incorporate effective policies and controls into the City’s HOME Investment Partnerships Program over the time period since management of the community services department changed. An administrative policy has been developed, with an effective date of April 1, 2015, which identifies controls and monitoring over the program receipts, disbursements and other activity. Since the audit period covered by this report ended as of June 30, 2015, this policy was only in the beginning stages of its implementation and operation.</p> <p>Contact Person Responsible for Corrective Action – City Finance Director</p> <p>Anticipated Completion Date – Immediately</p>	

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Reference Number	Finding	Questioned Costs
2015-006	<p style="text-align: center;">Federal Transit Cluster CFDA No. 20.507 U.S. Department of Transportation: Federal Transit Administration Period of Availability</p> <p>Criteria or Specific Requirement – OMB Circular A-87 requires that when a funding period is specified, recipients of federal funds may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the federal awarding agency.</p> <p>Condition – Expenditures that occurred during the fiscal year ended June 30, 2015, were applied to two grant periods that did not begin until the fiscal year ended June 30, 2016.</p> <p>Context – We selected a random sample of 25 items and identified seven expenditures out of a total population of 1,551 items that were applied to grant award periods that began before the period of availability had begun.</p> <p>Effect – Program funds were expended before the period of availability began for two grant award periods.</p> <p>Cause – The City receives several grants from the U.S. Department of Transportation for its transit program each year and expenditures were applied to the incorrect grants. The City’s internal control policies were not adequate to detect the error.</p> <p>Views of Responsible Officials and Planned Corrective Action – The condition noted in this finding is primarily the result of poor timing in the grant application process by prior management of the Lawton Area Transit System. New management and other team members that have been added are more cognizant of corresponding application requirements, deadlines and the availability of funds for the payment of costs and have endeavored to insure that all revenues and expenditures are properly applied to the grant periods and fiscal years subsequent to the year ended June 30, 2015.</p> <p>Contact Person Responsible for Corrective Action – City Finance Director</p> <p>Anticipated Completion Date – Immediately</p>	\$23,598

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

Reference Number	Finding	Questioned Costs
2015-007	<p style="text-align: center;">Federal Transit Cluster CFDA No. 20.507 U.S. Department of Transportation: Federal Transit Administration Procurement and Suspension and Debarment</p> <p>Criteria or Specific Requirement – When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in the A-102 Common Rule and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.</p> <p>Condition – The City’s procurement policy, used by the transit department for the purchase of fuel, does not include a provision requiring verification that a proposed vendor has not been suspended or debarred. Alternatively, documentation could not be provided that the City collected a certification from the vendor or added a clause or condition to the vendor contract that it was a covered transaction with that entity as allowed by the A-102 Common Rule.</p> <p>Context – We selected a random sample of 24 vendors and identified two vendors out of a total population of 184 vendors that appeared to have entered into covered transactions; however, no verification could be provided that the required regulations, as noted above, were followed.</p> <p>Effect – The City could enter into covered transactions with vendors that have been suspended or debarred.</p> <p>Cause – Two separate policies are used for procurement of expenditures by the transit department of the City. Expenditures that are procured using the City’s procurement policy, such as fuel contracts, are not required to follow the regulations described above.</p>	None

**City of Lawton**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
2015-007, continued	<p>Views of Responsible Officials and Planned Corrective Action – For future contracts involving fuel acquisition by the Lawton Area Transit System, the City will require that any proposed vendors will provide a certification or proof of verification, or the City will take steps to otherwise ensure (including, but not limited to, verification on the EPLS database) that the vendors are not suspended, debarred or otherwise excluded from participating in the transaction as defined in the A-102 Common Rule. Because of the timing of this audit report, it should be noted such contract specifications will be effective for future fuel purchase contracts entered into subsequent to June 30, 2017.</p> <p>Contact Person Responsible for Corrective Action – City Finance Director</p> <p>Anticipated Completion Date – June 30, 2018</p>	

**City of Lawton**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2015**

Reference Number	Finding	Status
2014-006	<p><b>Reporting</b></p> <p>Federal Program: CFDA No. 14.239 Home Investment Partnerships Program (HOME)</p> <p>Criteria or Specific Requirement – Section 3 of the <i>Housing and Urban Development Act of 1968</i> (12 U.S.C. 1701u) requires annual submission of reports (using HUD Form 60002) by direct recipients of housing and community development assistance in excess of \$200,000, such as the HOME Investment Partnership Grants.</p> <p>Condition – The HUD 60002 Section 3 Summary Report, <i>Economic Opportunities for Low- and Very Low-Income Persons</i>, was not submitted for the HOME program for fiscal year 2014.</p> <p>Cause and Effect – 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. Neither the City nor its federal granting agency can monitor the impact or the performance of the HOME program in the community.</p>	<p>Not Resolved – See Current Year Finding 2015-04</p>

**City of Lawton**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2015**

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
2014-007	<p><b>Reporting, Eligibility</b></p> <p>Federal Program: CFDA No. 14.239 Home Investment Partnerships Program (HOME)</p> <p>Criteria or Specific Requirement – OMB Circular A-133 requires recipients of federal funds to establish a system of internal control over federal program activities to provide reasonable assurance that financial accounting, reporting and compliance objectives are met.</p> <p>Condition – The City’s 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>Cause and Effect – The City’s HUD programs were in the process of undergoing changes in their policies and procedures as a result of a prior finding. Properly designed controls had not yet been implemented. Program funds may be expended for unallowable expenditures and/or for ineligible recipients resulting in noncompliance with program requirements and potential questioned costs.</p>	Not Resolved – See Current Year Finding 2015-05