

City of Lawton

Single Audit Reports

Year Ended June 30, 2016



City of Lawton
Year Ended June 30, 2016

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City of Lawton
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditure
<u>U.S. Department of Housing and Urban Development</u>					
<i>CDBG - Entitlement Grants Cluster</i>					
Community Development Block Grant/Entitlement Grants	14.218		B-13-MC-40-0001	\$ -	\$ 25,383
			B-14-MC-40-0001	-	323,496
			B-15-MC-40-0001	-	285,317
<i>Total CDBG - Entitlement Grants Cluster</i>				-	634,196
	14.239		M-10-MC-40-0201	-	23,892
Home Investment Partnerships Programs			M-11-MC-40-0201	-	1,439
			M-12-MC-40-0201	-	177,244
			M-13-MC-40-0202	-	20,994
			M-15-MC-40-0202	-	13,743
				-	237,312
Total U.S. Department of Housing and Urban Development				-	871,508
<u>U.S. Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2012-DJ-BX-0996	-	3,225
			2013-DJ-BX-0782	-	34,805
			2014-DJ-BX-0083	-	54,947
			2015-DJ-BX-0297	-	22,434
Total U.S. Department of Justice				-	115,411
<u>National Community Service Agency</u>					
Retired and Senior Volunteer Program	94.002		13SRWOK002	-	25,456
Total National Community Service Agency				-	25,456
<u>Federal Emergency Management Agency</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		PA-06-OK-4222-PW-00625(0)	-	13,622
			PA-06-OK-4222-PW-01298(0)	-	8,896
			PA-06-OK-4222-PW-00608(0)	-	45,552
			PA-06-OK-4222-PW-01317(0)	-	36,006
			PA-06-OK-4222-PW-01228(0)	-	13,345
			PA-06-OK-4222-PW-01211(0)	-	4,287
			PA06-OK-4222-PW-01485(0)	-	1,761,590
			PA-05-4274-RPA-0002	-	75,642
				-	1,958,940
Pre-Disaster Mitigation	97.047		PDMC-PJ-06-OK-2015-001	-	1,125
Total Federal Emergency Management Agency				-	1,960,065
<u>U.S. Federal Highway Administration</u>					
Oklahoma Highway Safety Department/ Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	164AL-15-03-10-12		-	9,030
		M5HVE-16-03-12-13		-	47,680
Total U.S. Federal Highway Administration				-	56,710

City of Lawton
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditure
<u>U.S. Department of Transportation</u>					
<i>Federal Transit Cluster</i>					
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		OK-90-X119 OK-90-X123 OK-90-X125-01 OK-2016-006-00	\$ - - - -	\$ 113,885 950,905 455,178 47,744
<i>Total Federal Transit Cluster</i>				-	1,567,712
<i>Highway Planning and Constructions Cluster</i>					
Oklahoma Department of Transportation/ Highway Planning and Construction	20.205	CMA 216E (014) LC STP-116E(184)EH		- -	245,981 400,000
<i>Total Highway Planning and Construction Cluster</i>				-	645,981
Total U.S. Department of Transportation				-	2,213,693
<u>U. S. Department of Homeland Security</u>					
State Homeland Security (Grant) Program (SHSP)	97.067		740.15	-	5,357
Total U.S. Department of Homeland Security				-	5,357
<u>Institute of Museum and Library Services</u>					
Oklahoma Department of Libraries/ Continuing Education Conference Grant	45.310	F-16-164 F-16-125		- -	1,289 3,631
Total Oklahoma Department of Libraries				-	4,920
Total Expenditures of Federal Awards				\$ -	\$ 5,253,120

City of Lawton
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Lawton, Oklahoma (the City) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. The grant accounts are maintained on a fund basis. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 *Cost Principles for State, Local and Indian Tribe Governments*, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 18, 2017. 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 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 a material weakness 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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 2016-002 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 response to the findings identified in our audit are 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 the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the City's management in a separate letter dated December 6, 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

Rogers, Arkansas
May 18, 2017

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

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, Oklahoma's 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, 2016. 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 federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-004 and 2016-005. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. 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, Oklahoma 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 types of 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 the Uniform Guidance, 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 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. 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 Honorable Mayor and Members
of the City Council of the
City of Lawton, Oklahoma

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-004 and 2016-005 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 18, 2017, which contained an unmodified opinion on those financial statements and a reference to the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Rogers, Arkansas
May 18, 2017, except for the paragraph on the
Schedule of Expenditures of Federal Awards,
which is December 6, 2017

The City of Lawton
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 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

Federal Awards

4. The independent auditor's report on internal control over compliance for 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 for major federal awards programs was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

The City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

7. The City's major programs were:

Cluster/Program	CFDA Number
Federal Transit Cluster/Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee? Yes No

The City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2016-001	<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.</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.</p> <p>Recommendation – We recommend the City 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 the City’s GEMS system, subsequent to the fiscal year ended June 30, 2016, additional procedures have been implemented to require formal procedures and documentation of the review and approval of posting journal entries and updates made to vendor master files. A periodic review of capital assets is also part of these additional procedures. Although the budget for Fiscal Year 2016 did include funding for software to help City staff convert from the budgetary basis accounting system to GAAP basis financials, the intended software product was no longer made available from the City’s software vendor. As a result, the City is now in the process of attempting to identify a long-term solution for replacement of the current accounting system. Once identified, conversion to a new system may take significant time due to budgetary funding or constraint issues as well as new system conversion and implementation.</p>

The City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Reference Number	Finding
2016-002	<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. 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.</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. The current accounting system does not provide effective review of adjusting journal entries and changes to vendor master files.</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 and evaluate its current system to identify options to improve the review of changes to master files and journal entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. Subsequent to the fiscal year ended June 30, 2016, as noted in the response to the prior finding, additional procedures have been implemented to require formal procedures and documentation of the review and approval of posting journal entries and updates made to vendor master files. Additionally, during the latter half of Fiscal Year 2017, an organizational restructuring of the City’s Finance Department occurred and additional personnel were added that, in part, should effectively limit the duties of certain staff so as to minimize the risks associated with the segregation of duties.</p>

The City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2016-003	<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 by 2 CFR 180.995, 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 2 CFR 180.995.</p> <p>Context – The City began the process of acquiring certifications from all existing vendors that each vendor is not suspended or debarred. However, certain contracts are set to expire within the next year and the City plans to obtain verification when these contracts are awarded.</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>

The City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Reference Number	Finding
2016-003 (continued)	<p>Views of Responsible Officials and Planned Corrective Action – We agree. Because of the timing of this audit report, effective as of June 30, 2017, the City began requiring that all proposed vendors on contracts involving fuel acquisition by Lawton Area Transit System (LATS) provide a certification, or proof of verification, that they are not suspended, debarred, or otherwise excluded from participating in the purchase transaction as stipulated by 2 CFR 995.</p> <p>Contact Person Responsible for Corrective Action – City Finance Director</p>

The City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Reference Number	Finding
2016-004	<p style="text-align: center;">Federal Transit Cluster CFDA No. 20.507 U.S. Department of Transportation: Federal Transit Administration Equipment and Real Property Management</p> <p>Criteria or Specific Requirement – 2 CFR 200.313 requires that a physical inventory of property be taken and the results reconciled with the property records at least once every two years.</p> <p>Condition – The City did not complete a physical inventory during fiscal year 2015 and the fiscal year 2016 was not completed until October 2017.</p> <p>Context – We obtained a copy of the 2016 physical inventory completed in October 2017.</p> <p>Effect – The City did not complete a physical inventory of transit property at least once every two years as required by 2 CFR 200.313.</p> <p>Cause –The City’s physical inventory was not completed in accordance with their policies.</p> <p>Views of Responsible Officials and Planned Corrective Action – We agree. The inventory was originally scheduled to be conducted in September 2016, but did not take place primarily due to employee turnover at LATS. As noted above, when this omission was brought to the City’s attention, a physical inventory was completed in October 2017 that revealed no discrepancies. For all future periods, the Finance Department will request the City’s internal audit staff to verify that the LATS inventory has been conducted when inventories are done for all other departments.</p> <p>Contact Person Responsible for Corrective Action – City Finance Director and Transit Manager</p>

The City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Reference Number	Finding
2016-005	<p style="text-align: center;">Disaster Grants – Public Assistance (Presidentially Declared Disasters) CFDA No. 97.036 Department of Homeland Security Activities Allowed or Unallowed and Allowable Costs/Cost Principles</p> <p>Criteria or Specific Requirement – 2 CFR 200, Subpart E requires that costs be adequately documented and that individual transactions be properly classified and accumulated into the activity total.</p> <p>Condition – Expenditures that occurred during the fiscal year ended June 30, 2016 were not supported in the Project Worksheet (PW) exhibits submitted to the Department of Homeland Security for reimbursement.</p> <p>Context – We selected a random sample of 9 items and identified individual transactions totaling \$4,047 that were applied against the grant but unsupported by City documentation. Projected questioned costs totaled \$45,763 based on the error rate in our sample size.</p> <p>Effect – Program funds were expended but unsupported by timesheets and equipment use sheets.</p> <p>Cause – The City receives several grants from the U.S. Department of Homeland Security for its presidentially declared disaster areas but was unable to support certain amounts selected for reimbursement. The City’s internal control policies were not adequate to detect the errors.</p> <p>Views of Responsible Officials and Planned Corrective Action – We agree. Subsequent to the year ended June 30, 2016, new management over the HUD grant programs, as well as other new staff under the manager’s direction, were added by the City that are more cognizant and conscious of the corresponding grant application requirements, deadlines, and the availability of funds for the payment of permissible costs in appropriate award years. The City is confident such new management/staff is endeavoring to insure that all revenues and expenditures are being properly recorded and applied to subsequent fiscal years and grant funding periods.</p> <p>Contact Person Responsible for Corrective Action – City Finance Director</p>

City of Lawton
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Reference Number	Finding	Status
2015-001	<p>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. 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>This prior year finding was repeated by the auditor in the Fiscal Year 2016 Schedule of Findings and Questioned Costs. As noted in the City’s response in the current year, conversion to a new accounting system may take significant time due to both budgetary funding or constraint issues as well as the conversion and implementation time that would necessarily be required for the new system after its identification and funding have been determined.</p>	Not Corrected

City of Lawton
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Finding	Status
2015-002	<p>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. 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>This prior year finding was repeated by the auditor in the Fiscal Year 2016 Schedule of Findings and Questioned Costs. As noted in the City’s response in the current year, additional procedures have been implemented to require formal procedures and documentation of the review and approval of posting journal entries and updates made to vendor master files during the fiscal year ended June 30, 2017.</p>	Partially Corrected

City of Lawton
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Finding	Status
2015-003	<p>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. 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>This prior year finding was repeated by the auditor in the Fiscal Year 2016 Schedule of Findings and Questioned Costs. As noted in the City’s response in the current year, during the latter half of Fiscal Year 2017, an organizational restructuring of the City’s Finance Department occurred and additional personnel were added that, in part, should effectively limit the duties of certain staff so as to minimize the risks associated with the segregation of duties.</p>	Not Corrected

City of Lawton
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Finding	Status
2015-004, 2014-006	HOME Investment Partnerships Program CFDA No. 14.239 U.S. Department of Housing and Urban Development (HUD) Reporting	Partially Corrected

Section 3 of the *Housing and Urban Development Act of 1968* (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. The HUD 60002 Section 3 Summary Report, *Economic Opportunities for Low- and Very Low-Income Persons*, was not submitted for the HOME program for fiscal years 2015 or 2014.

Corrective action has been taken with respect to this finding subsequent to the fiscal year ended June 30, 2016. As noted in the City's responses to findings for the current year, new management over the HUD grant programs, as well as other new staff under the manager's direction, were added by the City that are more cognizant and conscious of the corresponding grant application requirements, deadlines, and the availability of funds for the payment of permissible costs in appropriate award years. Accordingly, the 2014 and 2015 HUD 60002 Section 3 Summary Reports, *Economic Opportunities for Low- and Very Low-Income Persons*, were submitted on November 11, 2016. The City is confident that all required grant reports will be submitted on a timely basis going forward.

City of Lawton
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Finding	Status
2015-005, 2014-007	HOME Investment Partnerships Program CFDA No. 14.239 U.S. Department of Housing and Urban Development (HUD) Reporting	Fully Corrected

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. Program funds may be expended for unallowable expenditures and/or for ineligible recipients resulting in noncompliance with program requirements and potential questioned costs.

City of Lawton
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Finding	Status
2015-006	Federal Transit Cluster CFDA No. 20.507 U.S. Department of Transportation: Federal Transit Administration Period of Availability	Fully Corrected

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. 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.

City of Lawton
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2016

Reference Number	Finding	Status
2015-007	<p style="text-align: center;">Federal Transit Cluster CFDA No. 20.507</p> <p style="text-align: center;">U.S. Department of Transportation: Federal Transit Administration Procurement and Suspension and Debarment</p> <p>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. The City could enter into covered transactions with vendors that have been suspended or debarred.</p> <p>This prior year finding was repeated by the auditor in the Fiscal Year 2016 Schedule of Findings and Questioned Costs. As noted in the City's response in the current year, effective as of June 30, 2017, the City began requiring that all proposed vendors on contracts involving fuel acquisition by LATS provide a certification, or proof of verification, that they are not suspended, debarred, or otherwise excluded from participating in the purchase transaction as stipulated by 2 CFR 995.</p>	Partially Corrected