

City of Lawton

Single Audit Reports

Year Ended June 30, 2021

City of Lawton
June 30, 2021

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City of Lawton
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<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-17-MC-40-0001	\$ -	\$ 36,544
	14.218		B-18-MC-40-0001	-	204,236
	14.218		B-19-MC-40-0001	-	371,909
	14.218		B-20-MC-40-0001	-	150,110
COVID-19 Community Development Block Grant/Entitlement Grants	14.218		B-20-MW-40-0001 CARES	-	585,716
<i>Total CDBG - Entitlement Grants Cluster</i>				-	1,348,515
Home Investment Partnerships Program	14.239		M-14-MC-40-0201	-	23,964
	14.239		M-15-MC-40-0201	-	88,132
	14.239		M-16-MC-40-0201	-	61,440
	14.239		M-17-MC-40-0201	-	19,313
	14.239		M-19-MC-40-0201	-	8,746
	14.239		M-20-MC-40-0201	-	33,741
				-	235,336
Total U.S. Department of Housing and Urban Development				-	1,583,851
<u>U.S. Department of Justice</u>					
State Arts Council/COVID-19 FY20 Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1757-CARES		-	166,584
Total U.S. Department of Justice				-	166,584
<u>U.S. Department of the Treasury</u>					
State of Oklahoma/COVID-19 Coronavirus Relief Fund	21.019	SA-0100 CARES		-	7,059,886
State Arts Council/COVID-19 Coronavirus Relief Fund	21.019	SLT0047-CARES		-	18,750
Total Department of the Treasury				-	7,078,636
<u>U.S. Federal Highway Administration</u>					
<i>Highway Safety Cluster</i>					
Oklahoma Highway Safety Department/ State and Community Highway Safety	20.600	AL-21-03-02-18		-	35,409
	20.600	164AL-20-03-02-17		-	57,342
<i>Total Highway Safety Cluster</i>				-	92,751
Total U.S. Federal Highway Administration				-	92,751
<u>U.S. Department of Transportation</u>					
<i>Federal Transit Cluster</i>					
COVID-19/Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		OK-2020-018-00	-	2,292,695
<i>Total Federal Transit Cluster</i>				-	2,292,695

City of Lawton
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant or Other Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Highway Planning and Constructions Cluster</i>					
Oklahoma Department of Transportation/Highway Planning and Construction	20.205	CMA 216E (092) LC, JP NO 18903(24)		\$ -	\$ 16,500
<i>Total Highway Planning and Construction Cluster</i>				-	16,500
Total U.S. Department of Transportation				-	2,309,195
<u>National Endowment for the Humanities (NEH)</u>					
Oklahoma Department of Libraries/Grants to States/COVID-19-CARES ACT Digital Inclusion Grant	45.310	F-21-025 CARES		-	5,035
Oklahoma Department of Libraries/Grants to States/COVID-19-CARES ACT PPE Grant	45.310	F-20-136 CARES		-	1,500
Total National Endowment for the Humanities (NEH)				-	6,535
<u>Environmental Protection Agency</u>					
<i>Clean Water State Revolving Fund Cluster</i>					
State of Oklahoma Water Resource Board/Capitalization Grants for Clean Water State Revolving Funds	66.458	ORF-18-0021-CW		-	1,903,889
<i>Total Clean Water State Revolving Fund Cluster</i>				-	1,903,889
Total Environmental Protection Agency				-	1,903,889
<u>Corporation for National and Community Service</u>					
Retired and Senior Volunteer Program	94.002		19SRWOK002	-	55,288
Total Corporation for National and Community Service				-	55,288
<u>U. S. Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		PA-06-OK-4222-PW-01211(0)	-	68,589
	97.036		PA-06-OK-4274-PW-00063(0)	-	16,464
	97.036		PA-06-OK-4575-PW-00019(0)	-	8,559
	97.036		PA-06-OK-4575-PW-00029(0)	-	2,819
	97.036		PA-06-OK-4575-PW-00031(0)	-	61,782
	97.036		PA-06-OK-4575-PW-00043(0)	-	2,997
	97.036		PA-06-OK-4575-PW-00064(0)	-	228,829
	97.036		PA-06-OK-4575-PW-00088(0)	-	20,332
	97.036		PA-06-OK-4587-PW-00015(0)	-	41,775
	97.036		PA-06-OK-4587-PW-00016(0)	-	44,139
				-	496,285
Oklahoma Office of Homeland Security/ State Homeland Security Program (SHSP)	97.073	940.015		-	1,032
	97.073	1040.015		-	26,026
	97.073	1140.015		-	6,254
Total U.S. Department of Homeland Security				-	529,597
Total Expenditures of Federal Awards				\$ -	\$ 13,726,326

City of Lawton
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

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, 2021. 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.

The Schedule does not include the Lawton Metropolitan Area Airport Authority federal award programs.

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*, the cost principles contained in Uniform Guidance, or the United States Department of Treasury guidance and Frequently Asked Questions (FAQ) as published in the Federal Register for the Coronavirus Relief Fund Program, 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.

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*

Independent Auditor's Report

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 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 15, 2022. Our report includes a reference to other auditors who audited the financial statements of the Lawton Urban Renewal Authority, 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, the Fires Innovation Science and Technology Accelerator and the City Employees Retirement Trust Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

Compliance and Other Matters

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

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and 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.

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.

FORVIS,LLP

Rogers, Arkansas
July 15, 2022

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 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, 2021. 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.

The City's basic financial statements include the operations of the Lawton Metropolitan Area Airport Authority (the Airport), a discretely presented component unit, which expended \$5,427,324 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of the Airport because an audit in accordance with the Uniform Guidance was issued separately by the Airport.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations 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 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 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 of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lawton, Oklahoma 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, 2021.

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 an 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 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. *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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 of Lawton, Oklahoma as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 15, 2022, which contained an unmodified opinion on those financial statements and a reference to the reports of other auditors. Our audit was conducted 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 basic 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.

FORVIS,LLP

Rogers, Arkansas
December 19, 2022, except for the paragraph on the
Schedule of Expenditures of Federal Awards,
which is July 15, 2022

City of Lawton
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - 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) identified? Yes None reported

Material weakness(es) identified? Yes No

3. Noncompliance considered material to the financial statements? Yes No

Federal Awards

4. Internal control over major federal program:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No

5. Type of auditor's report issued on compliance for major federal program:

Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

7. The City's major federal programs were:

Cluster/Program	Federal Assistance Listing Number
CDBG – Entitlement Grants Cluster	14.218
COVID-19 Coronavirus Relief Fund	21.019
COVID-19 Federal Transit Cluster	20.507

8. The dollar 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

City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Section II – Financial Statement Findings

Reference Number	Finding
2021-001	<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 adequate segregation of duties. The City’s system allows the payroll administrator to be the primary party reviewing and editing payroll data; allows the revenue services and financial services departments to add customers, write-off charges and potentially hide transactions during the reconciliation process; and could potentially allow improper edits to vendor files to go undetected if the monthly vendor report is not run timely. Finally, we noted a general lack of documentation regarding the identity of employees completing cash reconciliations, the completion date and lack of documentation of the formal review of these reconciliations.</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 creating 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 for effective review of certain transactions.</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. As part of 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 inadequate segregation of duties, management should evaluate its current system and identify options to improve the review of changes made to master files and journal entries.</p>

City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Reference Number	Finding
	<p>Views of Responsible Officials and Planned Corrective Actions – Management agrees. For the year ended June 30, 2022, procedures were implemented for the documentation of the review and approval of posting journal entries, updates made to vendor master files, identify employees completing cash reconciliations as well as the completion date and the approval of these reconciliations. The City’s Finance Department will continue to be mindful of and identify any solutions in which they may further segregate duties to minimize associated risk. The City’s new financial accounting software will further allow the segregation of duties, especially those related to payroll, adding of customers, charge write-offs, transaction management, and reconciliations.</p>

City of Lawton
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

Section III – Federal Audit Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

City of Lawton
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Finding	Status
2020-001	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 adequate segregation of duties. The City’s system allows the payroll administrator to be the primary party reviewing and editing payroll date; allows the revenues services and financial services departments to add customers, wrote-off charges and potentially hide transactions during the reconciliation process; and could potentially allow improper edits to vendor files to go undetected if the monthly vendor report is not run timely. Finally, we noted a general lack of documentation regarding the identity of employees completing cash reconciliations, the completion date and lack of documentation of the formal review of these reconciliations.	Partially Corrected
2020-002	The City was required to record material adjustments related to construction in progress additions, accounts payable and insurance claims payable as a result of audit testing.	Corrected