



September 7, 2021

Honorable Mayor and Members of the City Council
City of Lawton, Oklahoma
212 SW 9th Street
Lawton, OK 73501-3944

Re: Report on Internal Audit Type Monitoring Activities

Honorable Mayor and Members of the City Council:

The City of Lawton (the City) engaged Crawford and Associates, P. C. to provide certain professional services as identified in the Scope and Objectives of Our Services section below. As you may remember, last year the City transitioned from an in-house internal auditor function to an outsourced internal audit function by the hiring of our firm to provide these services to the City on an annual basis. This report describes the scope and objectives of our services, the specific procedures we performed, our findings and recommendations, and management's responses to our findings and recommendations.

Scope and Objectives of Our Services

The scope of our professional services was limited to performing certain consulting services designed to assist the Mayor and City Council in meeting its fiduciary responsibilities. These services were performed in accordance with the standards applicable to consulting engagements of the American Institute of Certified Public Accountants. With regards to this specific engagement, the scope of our services included certain internal audit type monitoring procedures in the following areas at the City:

- Parks and Recreation Department
- Public Works Department - Street and Traffic Division

The objectives of our services in this engagement were to obtain information and review selected accounting records to determine whether any recommendations are warranted regarding the design of established internal control policies and procedures, and to report on the level of compliance with those policies and procedures based on our test work.

Parks and Recreation Department

The City Parks and Recreation Department oversees roughly 80+ parks and two lakes for the City. They also manage and oversee most of the activities in the parks and lakes. For the purpose of this report, we focused on the following areas of the department:

- Cash collections and deposits
- Capital assets

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- We conducted interviews with appropriate management and personnel of the Department.
- We also obtained and reviewed City policies and procedures related to cash collections and deposits of the Department.
- We also performed specific procedures over cash collections and deposits of the Lake Division of Parks and Recreation Department based on information obtained from our interviews. We conducted additional interviews with the Lake Division staff to gain an understanding of their procedures regarding cash collections. The following additional procedures were performed:
 - For the Lake Division, we selected a sample of deposits to ensure proper supporting documentation and timeliness of deposits
 - Reviewed fees charged to the rates and fees approved City Ordinances
- For capital assets, we selected a sample of capital assets to test location tracking and proper tagging of assets

Findings:

During interviews, management informed us that the Parks and Recreation Department, excluding the Lake Division, was in the process of making changes to their cash collection and deposit controls. Prior to these control changes, the staff would turn in the cash collected with a preprinted deposit slip to the Parks and Recreation Division's main office. The Park and Recreation Division's main office would then take the cash collected and the preprinted deposit slip to the License and Permits Department. Prior to the process changes, there was no formal tracking being performed by the Parks and Recreation Department between amounts collected and amounts deposited. With the Department's most recent changes, a staff person at the Parks and Recreation Department will be assigned the responsibility of reviewing collections, logging the deposit by the appropriate fund and line item accounts, and ensuring that the amount reconciles to the amount remitted to the License and Permits Department. This staff person will also ensure that the amounts agree to the amounts turned over by License and Permits Department to the Water Department for the eventual deposit in the bank, and further to the records reported to the Parks and Recreation's general ledger fund accounts.

During our interviews with the Lake Division, we noted that one individual currently is primarily responsible for inspecting the Lake each morning in order to collect payments for camping and other items in which a fee is charged. Subsequently, this individual brings the cash and checks back to the Administrative Assistant at the Lake. The Administrative Assistant then reconciles the amounts collected to supporting receipt books and combines the reconciled payments with funds received through a drop box located outside the office. Both the Lake Director and/or the Administrative Assistant may take the cash and checks collected to the License and Permits Department, who reconciles the fees and then delivers the entire amount of monies collected to the Water Department head cashier, who then records the deposit into the system and takes the actual deposit to the bank. Additionally, the Administrative Assistant typically serves as the primary backup for the individual who inspects and patrols the lake to collect fees from campers, however the Administrative Assistant is also the person responsible for preparing and delivering the monies collected to License and Permits Department. If the Administrative Assistant is on vacation or sick leave, the deposit is locked in a filing cabinet until that individual returns and can prepare the monies collected to be transferred to the Water Department.

In this situation, the monies collected may not be taken to the License and Permits Department for several days. This leads to extended periods of time in which cash and check collections may accumulate and be kept at the Lake office location. In our testing of the deposits, we noted the average number of days difference between the actual collections of cash and checks and the deposits of those monies was approximately three to four days, with a maximum period of up to 15-17 days in instances in which the Administrative Assistant was on leave.

During the testing of capital assets, we selected a haphazard sample of capital assets, and noted that the City has several different forms of identification numbers tied to a single capital asset. For example, there is an asset ID (from the capital asset system), a barcode number (on the tag given to physically place on the asset), and a Division or Department number painted on the capital asset and is also usually included in the description. Of the capital assets tested in our sample, the description and location of assets were all correct. In addition, we noted approximately half of the capital assets tested did not have a barcode tag on them, however we were able to identify them by the number painted on the asset and/or the items' description.

Recommendations:

1. We recommend that the Parks and Recreation Department continue to implement the new cash collection procedures they recently developed. This includes coaches and staff signing off on the deposit form as they turn it into the Department headquarters and then tracking and reviewing it before it is transferred to the License and Permits Department.
2. The Lake Division needs to designate a backup individual to make deposits when the administrative assistant is on vacation, so that there is no lengthy delay between the receipt of fees and the deposit of the monies with the License and Permits Department.

The City should work with the Lake Division to develop an acceptable timely deposit requirement policy for all deposits to be made.

1. This can be based off allowable time between deposits, an amount limit that requires a deposit, or a combination of both time and amount, in light of the statutory considerations that require all deposits to be made daily.
2. When the administrative assistant collects the cash from the Lake visitors, a different individual should review the deposit and support and sign off on it before submitting it to the License and Permits Department.
3. We recommend the City consider a new capital asset policy that uses some combination of the three different asset identification methods into a more manageable tracking identification number of the various capital assets.

Public Works Department - Street and Traffic Division

The Street and Traffic Division performs minor to major repairs on the streets and alleys of the City. They also maintain the traffic signals and signage all around City property.

Procedures Performed:

To accomplish the stated objectives, we performed the following procedures:

- Conducted interviews and walkthroughs with appropriate management and personnel to gain an understanding of internal controls related to the finance aspects of the Street and Traffic division.
- For capital assets, we selected a haphazard sample of assets to test proper identification, location tracking and the proper tagging of such assets.
- Used the work order tracking system currently employed by Street and Traffic Division, and along with invoices, prepared a rough tracking of rebar to see if a proper accounting of the purchase and use of rebar could be performed.

Findings:

- The haphazard capital assets sample produced roughly the same results as the capital asset testing in the Parks and Recreation Department. We again noted that the City has several different forms of identification numbers tied to a single capital asset. For example, there is an asset ID (from the capital asset system), a barcode number (on the tag given to physically place on the asset), and a Division or Department number painted on the capital asset and is also usually included in the description. Of the capital assets tested in our sample, the description and location of assets were all correct. In addition, we noted approximately half of the capital assets tested did not have a barcode tag on them, however we were able to identify them by the number painted on the asset and/or the items' description.
- Inventory for bulk items is not being tracked. For some bulk items like rock, this may be a difficult process due to differing Departments and Divisions using the bulk rock when needed. There also does not appear to be any type of scale that is used for rock weight coming in and going out, but instead bulk rock going out is just estimated based on bucket and truck sizes being used for hauling. Smaller bulk items would not have the same complication for inventory purposes.

Recommendations:

1. For capital assets, please see recommendation 3 from the above recommendation section
2. For bulk items like rebar and other individual items, a monthly perpetual inventory system, tracking the ins and outs in total would be useful to include in certain monthly reports and for accountability purposes. This should be discussed with those individuals who use the monthly reports from the Street and Traffic Division to see if this inventory information would be useful.

We would like to express our appreciation for all the courtesy and assistance we received from management and staff during our work at the City and hope that this report will be of benefit to the City.

Crawford & Associates, P.C.
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