

THE CITY OF PONCA CITY, OKLAHOMA
Single Audit Supplement and
Independent Auditor's Report
on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133
For the Fiscal Year Ended June 30, 2015

THE CITY OF PONCA CITY, OKLAHOMA

TABLE OF CONTENTS

	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures Of Federal Awards Required by OMB Circular A-133	3-5
Summary of Auditor’s Results	6
Schedule of Findings and Questioned Costs	7-8
Schedule of Expenditures of Federal Awards	9-10
Notes to the Schedule of Expenditures of Federal Awards.....	11



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**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

Honorable Mayor and City Commission
The City of Ponca City, 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 fiduciary presented component unit, each major fund, and the aggregate remaining fund information of *The City of Ponca City, Oklahoma*, 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 January 20, 2016. Our report includes a reference to other auditors who audited the financial statements of Ponca City Development Authority, as described in our report on *The City of Ponca City, Oklahoma'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 of Ponca City, Oklahoma'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 of Ponca City, Oklahoma's* internal control. Accordingly, we do not express an opinion on the effectiveness of *The City of Ponca City, Oklahoma'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 were not 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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, which we consider to be significant deficiencies (2015-001, 2015-002).

Compliance

As part of obtaining reasonable assurance about whether *The City of Ponca City, Oklahoma'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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of *The City of Ponca City, Oklahoma* in a separate letter dated January 20, 2016.

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 *City of Ponca City, Oklahoma's* internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *City of Ponca City, Oklahoma's* internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants

January 20, 2016



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**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditor's Report

Honorable Mayor and City Commission
The City of Ponca City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited *The City of Ponca City, Oklahoma's* compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of *The City of Ponca City, Oklahoma's* major federal programs for the year ended June 30, 2015. *The City of Ponca City, Oklahoma'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 of Ponca City, Oklahoma'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 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 of Ponca City, Oklahoma'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 of Ponca City, Oklahoma's* compliance .

Opinion on Each Major Federal Program

In our opinion, *The City of Ponca City, 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, 2015.

Report on Internal Control over Compliance

Management of *The City of Ponca City, 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 of Ponca City, Oklahoma'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 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 of Ponca City, Oklahoma'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.

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 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 City of Ponca City, Oklahoma*, as of and for the year ended June 30, 2015, and have issued our report thereon dated January 20, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants

January 20, 2016

THE CITY OF PONCA CITY, OKLAHOMA

Summary of Auditor's Results For the Fiscal Year Ended June 30, 2013

Section 1

Summary of Auditor's Results

Financial Statements

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | |
|----|--|---------------|
| 1. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 2. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a), OMB Circular A-133? | No |
| 4. | Identification of major programs: | |

CFDA Number

Name of Federal Program

66.458	Clean Water State Revolving Fund Loan
14.228	Community Development Block Grant
20.106	Airport Improvement Program

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. | Auditee qualified as a low-risk auditee? | No |

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Findings and Questioned Costs For the Fiscal Year Ended June 30, 2015

Section II - Financial Statement Findings

2015-001: Significant deficiency in internal controls over preparation of the Schedule of Expenditures of Federal Awards.

Criteria: The Schedule of Expenditures of Federal Awards (SEFA) prepared by the client is to be without material misstatement.

Condition: The SEFA prepared by the client omitted the Oklahoma Water Resources Board loan of federal funds in the amount of \$935,866.

Context: The client had received a letter from the Oklahoma Water Resources Board dated July 8, 2015 stating that the following information was to be included on the Schedule of Expenditures of Federal Awards: CFDA Title: Cap Grants for State Revolving Fund, CFDA Number: 66.458, and Federal Funds Withdrawn: \$935,866.34. This information was not included on the Schedule of Expenditures of Federal Awards prepared by the client.

Effect: Potentially, a Single Audit report which omitted the major program OWRB loan, and would require re-performance of the Single Audit and re-issuance of the Single Audit report

Cause: Misunderstanding by the client of the meaning of the letter sent by the Oklahoma Water Resources Board.

Recommendation: We recommend that all communications from state and federal agencies be carefully reviewed for references to federal expenditures. Where the meanings are unclear, we recommend that the client directly contact the applicable agency.

Views of responsible officials and planned corrective actions: The loan from OWRB was booked correctly, and as it was a loan from a State agency. Staff inadvertently did not include it on the grant schedule. As it included Federal pass-through funding, it should have been included in the schedule. At the start of each fiscal year we will open a new file to hold all communications from State and Federal agencies to be reviewed a second time at year-end as a double-check for reporting purposes.

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section III – Other Findings

2015-002: Weakness in internal controls related to Technology Services

Criteria: Equipment purchased by the City for Technology Services should be safeguarded from loss by sufficient internal controls.

Condition: New equipment is not tracked by a unique, permanently attached identification number, such as a serial number, and equipment disposals are not sufficiently documented.

Context: Technology Services purchases equipment used by a wide variety of City departments. Each item purchased is not material, but there are a large number of purchases every year.

Effect: Lack of attention to this internal control weakness may lead to further lapses of internal control.

Cause: There is a lack of specific Technology Services policies and procedures related to equipment purchases and disposals.

Recommendation: We recommend that the City consider hiring an outside consultant to recommend Technology Services policies and procedures.

Views of responsible officials and planned corrective actions: Accounting staff will work with the Tech Services department to develop a purchasing policy that includes a materiality threshold and procedure for inventory control from the point of purchasing, using the item and disposal.

Section IV - Federal Award Findings and Questioned Costs

None

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Award Amount	Contract Revenue	Contract Expenditures	
FEDERAL AWARDS:						
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Pass through Oklahoma Department of Commerce						
Small Cities Program 2013	*	14.228	15560 CDBG 13	\$ 85,686	49,967	49,967
Small Cities Program 2014	*	14.228	16084 CDBG 14	120,418	106,383	106,383
Total for Small Cities Program			<u>206,104</u>	<u>156,350</u>	<u>156,350</u>	
Total U.S. Department of Housing and Urban Development			<u>206,104</u>	<u>156,350</u>	<u>156,350</u>	
U.S. DEPARTMENT OF THE INTERIOR						
<u>National Park Service</u>						
Pass through the Oklahoma Historical Society						
Certified Local Government Program	15.904	13-605	14,600	8,402	8,402	
Certified Local Government Program	15.904	14-605	4,500	4,500	4,500	
Total for Certified Local Government Program			<u>19,100</u>	<u>12,902</u>	<u>12,902</u>	
Total U.S. Department of the Interior			<u>19,100</u>	<u>12,902</u>	<u>12,902</u>	
U.S. DEPARTMENT OF JUSTICE						
<u>Bureau of Justice Assistance</u>						
Bulletproof Vest Partnership Program	16.607	None	3,480	3,480	3,480	
Edward Byrne Justice Assistance Grant	16.738	2014 DJ BX 0333	10,953	10,953	10,953	
2010 COPS Hiring Program Grant	16.710	2010 UM-WX-0254	174,527	12,792	12,792	
Total U.S. Department of Justice			<u>188,960</u>	<u>27,225</u>	<u>27,225</u>	
U.S. DEPARTMENT OF TRANSPORTATION						
<u>Federal Aviation Administration</u>						
Airport Improvement Program 2014	*	20.106	340-0078-016-2014	551,423	480,200	480,200
Pass through Oklahoma Department of Public Safety						
OHSO Traffic Safety Project 2014		20.600	PT-14-03-12-07	38,500	2,792	2,792
OHSO Traffic Safety Project 2015		20.600	PT-15-03-18-08	25,000	19,917	19,917
Total for OHSO Traffic Safety Project			<u>63,500</u>	<u>22,709</u>	<u>22,709</u>	
Total U.S. Department of Transportation			<u>614,923</u>	<u>502,909</u>	<u>502,909</u>	

*denotes major federal program

THE CITY OF PONCA CITY, OKLAHOMA

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

(continued)

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Award Amount</u>	<u>Contract Revenue</u>	<u>Contract Expenditures</u>
FEDERAL AWARDS:					
U.S. DEPARTMENT OF HOMELAND SECURITY					
<u>Federal Emergency Management Agency</u>					
Assistance to Firefighters Grant Pass through Oklahoma Department of Emergency Management	97.044	EMW-2013-FO-02357	\$ 191,250	158,827	158,827
Hazard Mitigation Plan Project # 19	97.039	FEMA-4109-DR-OK	66,927	33,750	33,750
Emergency Management Performance Grant 14	97.042	85-606	29,708	7,427	7,427
Emergency Management Performance Grant 15	97.042	85-606	29,708	22,281	22,281
Total for EMPG			<u>59,416</u>	<u>29,708</u>	<u>29,708</u>
Pass through Oklahoma Office of Homeland Security Citizens Corp Grant	97.073	None	1,046	452	452
Total U.S. Department of Homeland Security			<u>318,639</u>	<u>222,737</u>	<u>222,737</u>
ENVIRONMENTAL PROTECTION AGENCY					
Pass through Oklahoma Water Resources Board Clean Water State Revolving Fund Loan Total U.S. Environmental Protection Agency	* 66.458	ORF-07-0006-CW	<u>935,866</u>	<u>935,866</u>	<u>935,866</u>
			<u>935,866</u>	<u>935,866</u>	<u>935,866</u>
Total Federal Awards					\$ <u><u>1,857,989</u></u>

*denotes major federal program

THE CITY OF PONCA CITY, OKLAHOMA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of *The City of Ponca City, Oklahoma* under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of *The City of Ponca City, Oklahoma*, it is not intended to and does not present the financial position, changes in net assets or cash flows of *The City of Ponca City, Oklahoma*.

Note 2 - Summary of Significant Accounting Policies

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 States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.