

STATE OF OKLAHOMA 2009

FOR FISCAL YEAR JUNE 30, 2009

SINGLE AUDIT REPORT



Oklahoma State Auditor
& Inspector

OKLAHOMA 2009

Single Audit Report For The Fiscal Year Ended June 30, 2009

Prepared by
Office of the State Auditor and Inspector

Steve Burrage, CPA
State Auditor and Inspector

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



2300 N. Lincoln Boulevard State Capitol, Room 100 Oklahoma City, OK 73105-4801 Phone (405) 521-3495 Fax (405) 521-3426 www.sai.ok.gov

March 31, 2010

**TO THE HONORABLE BRAD HENRY, GOVERNOR
OF THE STATE OF OKLAHOMA AND MEMBERS
OF THE LEGISLATURE OF THE STATE OF OKLAHOMA**

Transmitted herewith is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2009. The audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996 and the provisions of the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office by various state officials and employees during the course of the audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and issuing reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in blue ink that reads "Steve Burrage".

STEVE BURRAGE, CPA
STATE AUDITOR AND INSPECTOR

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**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133 and Opinion on the
Supplementary Schedule of Expenditures of Federal Awards**

**Report on Compliance With Requirements Applicable to Each
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**To the Honorable Brad Henry, Governor
and Members of the Legislature of the
State of Oklahoma**

Compliance

We have audited the compliance of the State of Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. We did not audit compliance with those requirements that are applicable to the major federal programs administered by the Department of Commerce, the Department of Wildlife Conservation, Insurance Department, or the Department of Environmental Quality, all of which were audited in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. All of the federal programs for the above referenced agencies represent 1.85% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. These entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to compliance with the compliance requirements for the above-mentioned entities, is based solely upon the reports of the other auditors.

The State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State of Oklahoma's management. Our responsibility is to express an opinion on the State of Oklahoma's compliance based on our audit and the reports of the other auditors.

The State of Oklahoma's basic financial statements include the operations of component units, some of which received federal awards. Those component units are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2009. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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 State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Oklahoma's compliance with those requirements.

As described in item 09-265-001, in the accompanying schedule of findings and questioned costs, the State of Oklahoma did not comply with requirements regarding Cash Management that are applicable to its ARRA – Title I Grants to Local Educational Agencies, Recovery Act (84.389); ARRA – Special Education – Grants to States, Recovery Act (84.391); and ARRA – Special Education – Preschool Grants, Recovery Act (84.392). These programs are part of the Title I and Special Education clusters as shown in the Summary of Auditor's Results section. Compliance with such requirements is necessary, in our opinion, for the State of Oklahoma to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Oklahoma, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items:

09-265-001	09-265-002	09-265-004	09-265-005	09-265-008
09-290-001	09-290-004	09-290-005	09-340-001	09-340-003
09-340-005	09-340-006	09-345-007	09-345-009	09-452-001
09-452-004	09-452-005	09-805-001	09-805-004	09-805-005
09-805-006	09-807-001	09-807-002	09-807-004	09-807-010
09-807-011	09-807-012	09-830-001	09-830-005	09-830-007
09-830-008	09-830-009	09-830-010	09-830-011	09-830-012
09-830-013	09-830-014	09-830-016	09-830-017	09-830-019
09-830-020	09-830-021	09-830-022	09-830-023	09-830-024
09-830-025	09-830-026	09-830-027	09-830-031	09-830-032
09-830-033	09-830-035			

Internal Control Over Compliance

The management of the State of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State of Oklahoma’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 State of Oklahoma’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity’s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity’s internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (see list below) to be significant deficiencies:

09-265-001	09-265-008	09-290-001	09-290-004	09-290-005
09-340-001	09-340-003	09-340-005	09-340-006	09-345-004
009-345-005	09-345-007	09-345-009	09-345-010	09-452-001
09-452-001IT	09-452-002IT	09-452-004	09-452-005	09-805-001
09-805-002	09-805-003	09-805-004	09-805-005	09-805-006
09-807-001	09-807-002	09-807-010	09-830-005	09-830-006
09-830-007	09-830-008	09-830-012	09-830-014	09-830-015
09-830-016	09-830-017	09-830-020	09-830-021	09-830-022
09-830-023	09-830-024	09-830-025	09-830-027	09-830-031

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be

prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned cost, we consider items 09-265-001 and 09-265-008 to be material weaknesses.

The State of Oklahoma's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of Oklahoma's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

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 for the State of Oklahoma as of and for the year ended June 30, 2009, and have issued our report thereon dated December 31, 2009, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System and identification of financial statements audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Selected Activities for Internal Service Type Funds section listed in the table of contents has not been audited by us, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the State of Oklahoma and federal awarding agencies and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR AND INSPECTOR

March 23, 2010 except as to the Schedule of Expenditures
of Federal Awards, for which the date is December 31, 2009

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**Schedule of Expenditures of Federal Awards
By Federal Grantor**

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By Federal Grantor**

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor
for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Agriculture				
Direct Programs:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Agriculture		\$ 1,384,724
Wildlife Services	10.028	Department of Wildlife Conservation		34,710
Conservation Reserve Program	10.069	Department of Agriculture		1,952
Market Protection and Promotion	10.163	Department of Agriculture		66,125
Specialty Crop Block Grant	10.169	Department of Agriculture		113,598
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,782,022
Supplemental Nutrition Assistance Program (SNAP)	10.551	Department of Human Services	\$ 565,688,390	☼
ARRA - Supplemental Nutrition Assistance Program (SNAP)	10.551	Department of Human Services	23,815,880	☼
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	Department of Human Services	<u>42,977,369</u>	☼ 632,481,639 ☼
School Breakfast Program (SBP)	10.553	Department of Education	44,983,425	☼
National School Lunch Program (NSLP)	10.555	Department of Education	123,876,579	☼
	☼ 10.555	Department of Human Services	17,042,115	☼
Special Milk Program for Children (SMP)	10.556	Department of Education	31,640	☼
Summer Food Service Program for Children (SFSPC)	10.559	Department of Education	3,568,700	☼
	☼ 10.559	Department of Human Services	<u>32,404</u>	☼ 189,534,863
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		91,609,080
Child and Adult Care Food Program	10.558	Department of Education	53,784,559	
	☼ 10.558	Department of Human Services	<u>233,954</u>	54,018,513
State Administrative Expenses for Child Nutrition	10.560	Department of Education	2,333,561	
	10.560	Department of Human Services	<u>466,882</u>	2,800,443
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services	861,445	☼
ARRA - Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services	37,181	☼
Emergency Food Assistance Program (Food Commodities)	☼ 10.569	Department of Human Services	16,016,487	☼
ARRA - Emergency Food Assistance Program (Food Commodities)	☼ 10.569	Department of Human Services	<u>1,144,536</u>	☼ 18,059,649
Fresh Fruit and Vegetable Program	10.582	Department of Education		541,296
Forestry Research	10.652	Department of Agriculture		150,000
Cooperative Forestry Assistance	10.664	Department of Commerce	2,619	
	10.664	Department of Agriculture	<u>1,917,576</u>	1,920,195
Forest Legacy Program	10.676	Department of Agriculture		161
Forest Land Enhancement Program	10.677	Department of Agriculture		26,107
Soil and Water Conservation	10.902	Conservation Commission	3,576,949	
	10.902	Department of Wildlife Conservation	<u>180,462</u>	3,757,411
Environmental Quality Incentives Program	10.912	Department of Agriculture		51,441
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Wildlife Conservation		61,310
	10.025	Oklahoma Boll Weevil Eradication Organization		<u>189,630</u>
Subtotal				<u>998,584,869</u>
U.S. Department of Commerce				
Direct Programs:				
Economic Adjustment Assistance	11.307	Department of Commerce		90,000
Public Safety Interoperable Communications Grant	11.555	Department of Public Safety		<u>135,041</u>
Subtotal				<u>225,041</u>
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		504,626
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		142,512
Military Construction, National Guard	12.400	Oklahoma Military Department		45,787,733 ☼
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department		22,471,139 ☼
National Guard Civilian Youth Opportunities	12.404	Oklahoma Military Department	2,802,542	
	12.404	Department of Education	<u>156,999</u>	<u>2,959,541</u>
Subtotal				<u>\$ 71,865,551</u>

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Drug Enforcement Administration				
Direct Programs:				
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		338,086
Subtotal				<u>\$ 338,086</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	Department of Environmental Quality		6,433
Community Development Block Grants/State's program and Non-Entitlement Grants/Hawaii	14.228	Department of Commerce		21,472,897 ♦
Emergency Shelter Grants Program	14.231	Department of Commerce		1,829,215
Shelter Plus Care	14.238	Department of Commerce	164,640	
	14.238	Mental Health and Substance Abuse Services	<u>11,912</u>	176,552
Fair Housing Assistance Program-State and Local	14.401	Human Rights Commission		113,557
Subtotal				<u>\$ 23,598,654</u>
U.S. Department of the Interior				
Direct Programs:				
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	Department of Mines		1,089,755
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		2,434,279
Water Reclamation and Reuse Program	15.504	Water Resources Board		360,700
Water Desalination Research and Development Program	15.506	Water Resources Board		118,241
Fish and Wildlife Coordination Act	15.517	Department of Wildlife Conservation		10,000
Sport Fish Restoration Program	15.605	Department of Wildlife Conservation	7,104,799 ☉	
Wildlife Restoration	15.611	Department of Wildlife Conservation	<u>4,723,699</u> ☉	11,828,498 ♦
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		73,756
Clean Vessel Act	15.616	Department of Environmental Quality		158,670
Sport Fishing and Boating Safety Act	15.622	Department of Tourism and Recreation		87,916
Firearm and Bow Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		140,090
Multistate Conservation Grant Program	15.628	Conservation Commission		50,000
Partners for Fish and Wildlife	15.631	Department of Wildlife Conservation		135,294
Land Owners Incentive Program	15.633	Department of Wildlife Conservation		98,088
State Wildlife Grants	15.634	Department of Wildlife Conservation		810,077 ♦
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		337,672
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		505,997
Cost Reimbursement Contracts:				
McGee Creek Project	-	Department of Wildlife Conservation		164,202
Cooperative Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		266,412
Subtotal				<u>\$ 18,669,647</u>
U.S. Department of Justice				
Direct Programs:				
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	Department of Corrections		14,699
Juvenile Accountability Incentive Block Grants	16.523	Office of Juvenile Affairs		588,332
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Office of Juvenile Affairs		658,997
Missing Children's Assistance	16.543	State Bureau of Investigation		242,421
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		58,430
State Justice Statistics Program for Statistical Analysis Centers	16.550	Legislative Service Bureau		52,817
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		103,914
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	District Attorneys Council	167,727	
	16.560	State Bureau of Investigation	<u>215,102</u>	382,829
Crime Victim Assistance	16.575	District Attorneys Council		3,773,553
Crime Victim Compensation	16.576	District Attorneys Council		1,994,790
Edward Byrne Memorial Formula Grant Program	16.579	District Attorneys Council		(15,561)

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor
for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Bureau of Narcotics & Dangerous Drugs Control		250,823
Crime Victim Assistance/Discretionary Grants	16.582	Attorney General		4,808
Drug Court Discretionary Grant Program	16.585	Mental Health and Substance Abuse Services		75
Violence Against Women Formula Grants	16.588	District Attorneys Council		1,260,865
The Community-Defined Solutions to Violence Against Women Grant	16.590	Attorney General	329,602	
	16.590	District Attorneys Council	380,543	710,145
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		171,112
State Criminal Alien Assistance Program	16.606	Department of Corrections		951,623
Community Prosecution and Project Safe Neighborhoods	16.609	District Attorneys Council		242,186
Public Safety Partnership and Community Policing Grants	16.710	Bureau of Narcotics & Dangerous Drugs Control		645,168
Enforcing Underage Drinking Laws Program	16.727	Department of Public Safety		319,114
Edward Byrne Memorial Justice Assistance Grant Program	16.738	District Attorneys Council		1,936,648
Statewide Automated Victim Information Notification (SAVIN) Program	16.740	Attorney General		18,478
Forensic DNA Backlog Reduction Program	16.741	State Bureau of Investigation		359,625
DNA Backlog Reduction	16.743	State Bureau of Investigation		18,973
Anti-Gang Initiative	16.744	District Attorneys Council		125,781
Convicted Offender and/or Arrestee DNA Backlog Reduction	16.748	State Bureau of Investigation		297
Cost Reimbursement Contract:				
High Intensity Drug Trafficking Area	-	Bureau of Narcotics & Dangerous Drugs Control		26,668
Subtotal				<u>\$ 14,897,610</u>
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		1,046,217
Compensation and Working Conditions	17.005	Department of Labor		105,988
Employment Service/Wagner-Peyser Funded Activities	17.207	Employment Security Commission	14,070,841	⊕
ARRA-Employment Services/Wagner-Peyser Funded Activities	17.207	Employment Security Commission	389,320	⊕
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission	502,042	⊕
Local Veterans' Employment Representative Program	17.804	Employment Security Commission	1,449,690	⊕ 16,411,893
Unemployment Insurance	17.225	Employment Security Commission	522,639,005	
ARRA-Unemployment Insurance	17.225	Employment Security Commission	21,897,359	544,536,364 ⊕
Senior Community Service Employment Program	17.235	Employment Security Commission	1,600,049	
ARRA-Senior Community Service Employment Program	17.235	Employment Security Commission	4,973	1,605,022
Trade Adjustment Assistance - Workers	17.245	Employment Security Commission		4,292,936
Workforce Investment Act - Adults	17.258	Department of Commerce	6,631,098	⊕
ARRA-Workforce Investment Act - Adults	17.258	Department of Commerce	78,211	⊕
Workforce Investment Act - Youth Activities	17.259	Department of Commerce	6,261,035	⊕
ARRA-Workforce Investment Act - Youth Activities	17.259	Department of Commerce	987,793	⊕
Workforce Investment Act - Dislocated Workers	17.260	Department of Commerce	6,937,971	⊕
ARRA-Workforce Investment Act - Dislocated Workers	17.260	Department of Commerce	266,168	⊕
Workforce Investment Act - Dislocated Workers	17.260	Employment Security Commission	16,801	⊕ 21,179,077 ◆
WIA Pilots, Demonstrations, and Research Projects	17.261	Department of Career & Technology Education	322,122	
	17.261	Department of Commerce	81,296	403,418
Work Incentive Grant	17.266	Employment Security Commission		600,540
Incentive Grant - WIA Section 503	17.267	Department of Commerce		90,889
H-1B Job Training Grants	17.268	Department of Commerce		342,980
Work Opportunity Tax Credit Program (WOTC)	17.271	Employment Security Commission		151,536
Temporary Labor Certification for Foreign Workers	17.273	Employment Security Commission		71,614
Consultation Agreements	17.504	Department of Labor		1,112,730
Mine Health and Safety Grants	17.600	Department of Mines		104,095
Subtotal				<u>\$ 592,055,299</u>
U.S. Department of Transportation				
Direct Programs:				
Airport Improvement Program	20.106	Oklahoma Aeronautics Commission		727,429
Highway Planning and Construction	20.205	Department of Transportation	756,635,085	⊕
ARRA - Highway Planning and Construction	20.205	Department of Transportation	40,935,249	⊕
Recreational Trails Program	20.219	Department of Tourism and Recreation	1,032,423	⊕ 798,602,757 ⊕

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
National Motor Carrier Safety	20.218	Department of Public Safety		4,419,214
Commercial Drivers License State Programs	20.232	Department of Public Safety		152,519
Safety Data Improvement Program	20.234	Department of Public Safety		80,726
Commercial Vehicle Information Systems and Networks	20.237	Department of Transportation		336,715
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation		14,219,588
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		932,042
Public Transportation Research	20.514	Department of Rehabilitation Services		31,587
State and Community Highway Safety	20.600	Department of Public Safety	3,558,779	⊕
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Department of Public Safety	2,456,578	⊕
Safety Belt Performance Grants	20.609	Department of Public Safety	396,237	⊕
State Traffic Safety Information System Improvement Grants	20.610	Department of Public Safety	743,056	⊕
Incentive Grant Program to Increase Motorcyclist Safety	20.612	Department of Public Safety	30,984	⊕
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Emergency Management		213,000
Cost Reimbursement Contract - CVISION and PRISM	-	Corporation Commission		226,563
Pipeline Safety Program Base Grants	20.700	Corporation Commission		563,229
Subtotal				<u>\$ 827,691,003</u>
Direct Programs:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	Human Rights Commission		137,725
Subtotal				<u>\$ 137,725</u>
General Services Administration				
Direct Programs:				
Donation of Federal Surplus Personal Property	⊖ 39.003	Department of Central Services		4,227,990
SEB Election Systems	39.011	State Election Board		526,087
Subtotal				<u>\$ 4,754,077</u>
National Aeronautics and Space Administration				
Direct Programs:				
Aerospace Education Services Program	43.001	Oklahoma Space Industry Development Authority		77,088
Subtotal				<u>\$ 77,088</u>
National Foundation on the Arts and the Humanities				
Direct Programs:				
Promotion of the Arts Grants to Organizations and Individuals	45.025	State Arts Council		724,300
Grants to States	45.310	Department of Libraries		2,131,230
National Leadership Grants	45.312	Department of Libraries		17,833
Subtotal				<u>\$ 2,873,363</u>
U.S. Department of Veterans Affairs				
Direct Programs:				
Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		850,523
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		37,636,702
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		362,185
Subtotal				<u>\$ 38,849,410</u>
U.S. Environmental Protection Agency				
Direct Programs:				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Act Purpose Activities Relating to the Clean Air	66.034	Department of Environmental Quality		371,046
State Clean Diesel Grant Program	66.040	Department of Environmental Quality		141,560
Water Pollution Control State, Interstate, and Tribal Program Support	66.419	Water Resources Board		2,367,785
State Underground Water Source Protection	66.433	Corporation Commission		328,656

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	Water Resources Board		83,640
Water Quality Management Planning	66.454	Water Resources Board		77,892
Capitalization Grants for Clean Water State Revolving Fund	66.458	Water Resources Board		9,675
Environmental Protection Agency Office of Water	66.460	Water Resources Board		5,096,254
Regional Wetland Program Development Grants	66.461	Water Resources Board		230,967
Water Quality Cooperative Agreements	66.463	Water Resources Board		56,683
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality		34,376,867 ♦
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	Department of Environmental Quality		101,424
Water Protection Grants to the States	66.474	Department of Environmental Quality		67,576
Performance Partnership Grants	66.605	Department of Environmental Quality		4,186,054
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	Department of Environmental Quality	299,064	
	66.608	Department of Agriculture	<u>87,951</u>	387,015
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	Department of Agriculture		353,749
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	Department of Labor		311,866
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		98,025
Multi-Media Capacity Building Grants for States and Tribes	66.709	Water Resources Board		46,017
Pesticide Environmental Stewardship Regional Grants	66.714	Department of Agriculture		31,230
Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies	66.716	State Department of Health		34,148
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Department of Environmental Quality	12,137,619	
ARRA - Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	Department of Environmental Quality	<u>2,898,260</u>	15,035,879
Underground Storage Tank Prevention, Detection and Compliance Program	66.804	Corporation Commission		716,421
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	Corporation Commission		1,024,772
Brownsfields Revolving Loan fund	66.811	Department of Environmental Quality		466,950
State and Tribal Response Program Grants	66.817	Department of Environmental Quality	254,960	
	66.817	Corporation Commission	<u>155,147</u>	410,107
Subtotal				<u>\$ 66,412,258</u>
U.S. Department of Energy				
Direct Programs:				
State Energy Program	81.041	Department of Commerce	1,093,994	
ARRA - State Energy Program	81.041	Department of Commerce	<u>11,541</u>	1,105,535 ♦
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	3,612,912	
ARRA - Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce	<u>160,387</u>	3,773,299 ♦
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Tech Analysis	81.117	Department of Commerce		7,881
Subtotal				<u>\$ 4,886,715</u>
U.S. Department of Education				
Direct Programs:				
Adult Education - Basic State Grant to States	84.002	Department of Education		5,659,199
Title I Grants to Local Educational Agencies	84.010	Department of Education	141,382,736 ☼	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	Department of Education	<u>54,695,816</u> ☼	196,078,552 ☼
Migrant Education - State Grant Program	84.011	Department of Education		1,000,088
Title I Program for Neglected and Delinquent Children	84.013	Department of Education		215,625

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Special Education - Grants to States	84.027	Department of Education	140,935,702	⊛
Special Education - Preschool Grants	84.173	Department of Education	3,706,314	⊛
ARRA - Special Education - Grants to States, Recovery Act	84.391	Department of Education	73,932,846	⊛
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	Department of Education	<u>1,940,192</u>	⊛
				220,515,054
Career and Technical Education -- Basic Grants to States	84.048	Department of Career & Technology Education		14,497,490
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Department of Rehabilitation Services	32,149,580	⊛
ARRA - Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	84.390	Department of Rehabilitation Services	<u>23,805</u>	⊛
				32,173,385
Rehabilitation Services Client Assistance Program	84.161	Office of Disability Concerns		98,962
Independent Living - State Grants	84.169	Department of Rehabilitation Services		202,629
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services		383,874
Special Education - Grants for Infants and Families	84.181	Department of Education	5,981,425	⊛
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393	Department of Education	<u>1,354,329</u>	⊛
				7,335,754
Safe and Drug-Free Schools and Communities - Byrd Honors Scholarships	84.185	Department of Education		429,000
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	3,154,903	
	84.186	Mental Health and Substance Abuse Services	<u>1,571,850</u>	4,726,753
Supported Employment Services for Individuals with Severe Disabilities	84.187	Department of Rehabilitation Services		300,000
Education for Homeless Children and Youth	84.196	Department of Education		914,044
Even Start - State Educational Agencies	84.213	Department of Education		502,999
Tech-Prep Education	84.243	Department of Career & Technology Education		1,342,528
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		149,352
Twenty-First Century Community Learning Centers	84.287	Department of Education		12,440,681
State Grants for Innovative Programs	84.298	Department of Education		1,396,868
Education Technology State Grants	84.318	Department of Education		3,196,292
Special Education - State Personnel Development Grants to States for Workplace and Community Transition	84.323	Department of Education		857,773
Training for Incarcerated Individuals	84.331	Department of Corrections		330,274
Title I Accountability	84.348	Department of Education		2,399,909
Reading First State Grants	84.357	Department of Education		13,824,054
Rural Education	84.358	Department of Education		4,296,549
English Language Acquisition Grants	84.365	Department of Education		3,925,834
Math and Science Partnerships	84.366	Department of Education		1,771,911
Improving Teacher Quality Grants	84.367	Department of Education		32,526,190
Grants for State Assessments and Related Activities	84.369	Department of Education		<u>1,169,182</u>
Subtotal				<u>\$ 564,660,805</u>
National Archives and Records Administration				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		<u>193,296</u>
Subtotal				<u>\$ 193,296</u>
Direct Programs:				
Help America Vote Act Requirements Payments	90.401	State Election Board		<u>1,239,205</u>
Subtotal				<u>\$ 1,239,205</u>
U.S. Department of Health and Human Services				
Direct Programs:				
Special Programs for the Aging - Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Department of Human Services		67,551

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		148,909
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		319,140
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services	3,984,418	✻
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services	7,335,138	✻
Nutrition Services Incentive Program	93.053	Department of Human Services	<u>2,741,585</u>	✻ 14,061,141
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Insurance Department	214,726	
	93.048	Department of Human Services	<u>186,738</u>	401,464
Alzheimer's Disease Demonstration Grants to States	93.051	Department of Human Services		12,942
National Family Caregiver Support, Title III, Part E	93.052	Department of Human Services		1,854,798
Public Health Emergency Preparedness	93.069	State Department of Health		9,229,247
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Department of Human Services		508,846
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	Mental Health and Substance Abuse Services		376,343
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	Mental Health and Substance Abuse Services		118,249
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		475,047
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		771,548
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	State Department of Health		134,929
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		1,101,229
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		403,870
Heath Programs for Toxic Substances and Disease Registry	93.161	State Department of Health		156,103
Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	State Department of Health		207,058
Family Planning Services	93.217	State Department of Health		3,993,341
Consolidated Knowledge Development and Application	93.230	Mental Health and Substance Abuse Services		8,486
Traumatic Brain Injury State Demonstration Grant Program	93.234	State Department of Health		73,850
Abstinence Education Program	93.235	State Department of Health		430,778
Cooperative Agreement for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	State Department of Health		116,889
Mental Health Research Grants	93.242	Mental Health and Substance Abuse Services		11,083
Substance Abuse and Mental Health Services Projects Regional and National Significance	93.243	Mental Health and Substance Abuse Services		4,037,244
Universal Newborn Hearing Screening	93.251	State Department of Health		83,570
Occupational Safety & Health Program	93.262	State Department of Health		272,706
Immunization Grants	✻ 93.268	State Department of Health		46,452,864
Substance Abuse and Mental Health Services-Access to Recovery Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.275	Mental Health and Substance Abuse Services		5,509,604
	93.283	State Department of Health		6,231,944
State Partnership Grant Program to Improve Minority Health	93.296	State Department of Health		112,480
Promoting Safe and Stable Families	93.556	Department of Human Services		6,536,299
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Department of Human Services		101,380,353
Child Support Enforcement	93.563	Department of Human Services	23,958,082	
ARRA -Child Support Enforcement	93.563	Department of Human Services	<u>11,440,544</u>	35,398,626
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		864,248
Low-Income Home Energy Assistance	93.568	Department of Human Services		27,679,571
Community Services Block Grants	93.569	Department of Commerce	8,110,154	
ARRA-Community Services Block Grants	93.569	Department of Commerce	<u>73,225</u>	8,183,379

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Child Care and Development Block Grant	93.575	Department of Human Services	72,434,233	⊕
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services	<u>33,388,965</u>	⊕ 105,823,198
State Court Improvement Program	93.586	Supreme Court		271,957
Community-Based Child Abuse Prevention Grants	93.590	State Department of Health		973,156
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		138,522
Chafee Education and Training Vouchers Program	93.599	Department of Human Services		795,714
Child Support Enforcement Demonstrations and Special Projects	93.601	Department of Human Services		13,890
Adoption Incentive Payments	93.603	Department of Human Services		662,000
Head Start	93.600	Department of Commerce		309,337
Voting Access for Individuals with Disabilities Grants to States	93.617	State Election Board		7,286
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		883,110
Children's Justice Grants to States	93.643	Department of Human Services		193,411
Child Welfare Services - State Grants	93.645	Department of Human Services		1,808,957
Adoption Opportunities	93.652	Department of Human Services		226,351
Foster Care - Title IV-E	93.658	Department of Human Services	34,267,735	
ARRA-Foster Care - Title IV-E	93.658	Department of Human Services	<u>1,245,745</u>	35,513,480 ⊕
Adoption Assistance	93.659	Department of Human Services	33,215,411	
ARRA-Adoption Assistance	93.659	Department of Human Services	<u>1,936,300</u>	35,151,711 ⊕
Social Services Block Grant	93.667	Department of Human Services		34,757,255 ⊕
Child Abuse and Neglect State Grants	93.669	Department of Human Services		353,800
Family Violence Prevention and Services - Grants for Battered Women's Shelters - Grants to States and Indian Tribes	93.671	Attorney General		1,238,340
Chafee Foster Care Independence Program	93.674	Department of Human Services		3,369,025
Children's Health Insurance Program	93.767	Health Care Authority		116,181,101 ⊕
Medicare - Hospital Insurance	93.773	State Department of Health		5,850,906
State Medicaid Fraud Control Units	93.775	Attorney General	1,223,703	⊕
State Survey and Certification of Health Care Providers and Suppliers	93.777	Health Care Authority	7,587,909	⊕
Medical Assistance Program (Medicaid)	93.778	Health Care Authority	2,660,642,469	⊕
ARRA-Medical Assistance Program (Medicaid)	93.778	Health Care Authority	<u>247,529,990</u>	⊕ 2,916,984,071 ⊕
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	Insurance Department		831,354 ♦
Alternate Non-Emergency Service Providers or Networks	93.790	Health Care Authority		38,612
Money Follows the Person Rebalancing Demonstration	93.791	Health Care Authority		1,731,656
National Bioterrorism Hospital Preparedness Program	93.889	State Department of Health		3,797,184
HIV Care Formula Grants	93.917	State Department of Health		8,840,914
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		205,003
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		2,192,385
Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		344,150
Assistance Programs for Chronic Disease Prevention and Control	93.945	State Department of Health		343,091
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		4,483,087
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		21,978,850 ⊕
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,004,800
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	State Department of Health		266,391
Preventive Health and Health Services Block Grant	93.991	State Department of Health		645,808
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health	4,421,647	
	93.994	Department of Human Services	<u>2,618,829</u>	7,040,476

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		54,528
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		234,468
Cost Reimbursement Contracts:				
Implementation Alcohol Drug Data Collection	-	Mental Health and Substance Abuse Services		27,103
Client Level Projects	-	Mental Health and Substance Abuse Services		40,680
CSAP Prevention Fellowship	-	Mental Health and Substance Abuse Services		14,285
State Outcome Measurement & Management System	-	Mental Health and Substance Abuse Services		88,932
State Epidemiological Outcomes Workgroup	-	Mental Health and Substance Abuse Services		192,247
Subtotal				<u>\$ 3,593,628,311</u>
Corporation for National and Community Service				
Direct Programs:				
Learn and Serve America - Higher Education	94.005	Department of Education		270,522
AmeriCorps	94.006	Bureau of Narcotics & Dangerous Drugs Control		60,137
Foster Grandparent Program	94.011	Department of Human Services		406,893
Volunteers in Service to America	94.013	Department of Education		36
Subtotal				<u>\$ 737,588</u>
Social Security Administration				
Direct Programs:				
Social Security - Disability Insurance (DI)	96.001	Department of Rehabilitation Services		24,793,710
Subtotal				<u>\$ 24,793,710</u>
U.S. Department of Homeland Security				
Direct Programs:				
Interoperable Communications Equipment Grant	97.001	Department of Public Safety		124,198
Urban Areas Security Initiative	97.008	Department of Public Safety		4,095,477
Homeland Security Grant Program	97.067	Department of Public Safety		347,538
Boating Safety Financial Assistance	97.012	Department of Public Safety		2,327,462
Community Assistance Program/State Support Services Element (CAP-SSSE)	97.023	Department of Emergency Management		294,958
Emergency Management Institute (EMI) Independent Study Program	97.027	Department of Emergency Management		651,706
Crisis Counseling	97.032	Department of Emergency Management		25,094
Disaster Grants-Public Assistance(Presidentially Declared Disasters)	97.036	Department of Emergency Management		89,966,159
Hazard Mitigation Grant	97.039	Department of Emergency Management		3,240,532
National Dam Safety Program	97.041	Water Resources Board		335,188
Emergency Management Performance Grants	97.042	Department of Public Safety		3,223,140
Fire Management Assistance Grant	97.046	Department of Emergency Management		3,896
Pre-Disaster Mitigation	97.047	Department of Emergency Management		217,502
Citizens Corp	97.053	Department of Emergency Management		162,648
Map Modernization Management Support	97.070	Department of Emergency Management		38,358
Metropolitan Medical Response System	97.071	Department of Public Safety		195,904
State Homeland Security Program (SHSP)	97.073	Department of Public Safety		6,122,083
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	Department of Public Safety		2,897,117
Buffer Zone Protection Program	97.078	Department of Public Safety		209,632
Repetitive Food Claims	97.092	Department of Emergency Management		220,598
Transformation Grant	97.793	Health Care Authority		4,147,021
Subtotal				<u>\$ 118,846,211</u>
Total Federal Assistance				<u>\$ 6,970,015,522</u>
<ul style="list-style-type: none"> ⌘ Noncash Assistance ❖ Partially Noncash Assistance ⊗ Tested as a major program as defined by OMB Circular A-133 ◆ Program audited as a major program by independent auditor of entity within the State ⊕ Programs defined as a cluster by OMB Circular A-133 				

**Notes to the Schedule of Expenditures
of Federal Awards**

**Notes to the Schedule of Expenditures
of Federal Awards**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2009

Note 1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared in conformity with the requirements set forth in the Single Audit Act of 1984, Public Law 98-502, the Single Audit Act Amendments of 1996, Public Law 104-156 and Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. The reporting entity includes the primary government of the State of Oklahoma as presented in the Comprehensive Annual Financial Report (CAFR). Component units included in the CAFR prepare individual financial statements that meet the requirements of OMB Circular A-133, and have not been included in the Schedule. OMB Circular A-133 allows non-Federal entities to meet the audit requirements of the Circular through a series of audits that cover the reporting entity.

B. Basis of Presentation

The Schedule presents expenditures and expenses for the fiscal year ended June 30, 2009. The Schedule reports total federal award expenditures and expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*. Federal awards without identified CFDA numbers have been identified as "Other Federal Assistance".

Federal financial awards include federal financial assistance and federal cost-reimbursement contracts. Federal financial assistance may be defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, food commodities, interest subsidies, insurance or direct appropriations, but does not include direct federal cash assistance to individuals. Non-monetary federal assistance including surplus property, food stamps and food commodities is reported in the Schedule. Solicited contracts between the State and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Food and commodity distributions on the accompanying Schedule are valued using a weighted average cost based on the U.S. Department of Agriculture commodity price list at the inventory receipt date. The food stamp issuance amount included in the accompanying Schedule is stated at the value of food stamps redeemed. Donated federal surplus property is included in the Schedule at a percentage of the federal government acquisition cost.

The scope of the Schedule includes expenditures and expenses of federal assistance received directly by state agencies designated as primary recipients. With reference to the primary government, the primary recipient expenditures are not adjusted for state agency sub-recipient expenditures.

Major programs are defined by levels of expenditures and expenses and risk assessments established in the OMB Circular A-133.

C. Basis of Accounting

The accompanying Schedule, in general, reports expenditures of the primary government in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that governmental funds report

Notes to the Schedule of Expenditures of Federal Awards

revenue and expenditures using the modified accrual basis of accounting as described in the Comprehensive Annual Financial Report. The modified accrual basis of accounting recognizes expenditures and expenses when liquidated with current resources. The Department of Environmental Quality (CFDA 66.468) a primary government enterprise fund, and the Wildlife Conservation Commission, a governmental fund, use the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. Petroleum Violation Escrow Funds

Petroleum Violation Escrow (PVE) funds received by the State as restitution relative to litigation involving violations of federal price controls are not federal funds and therefore are not included in the Schedule. However, certain PVE funds were made subject to OMB Circular A-133 by the terms of federal legislation, or by court orders. Those PVE funds subject to OMB Circular A-133, and included within the scope of our audit, were utilized in the following programs during fiscal year 2009:

<u>CFDA Number</u>	<u>Program Name</u>
81.041	State Energy Program
81.042	Weatherization Assistance for Low Income Persons

Note 3. State Unemployment Insurance Fund

Expenditures for unemployment insurance (CFDA 17.225) include state unemployment insurance (UI) funds as well as federal UI funds. The state portion of UI funds amounted to \$399,082,606. The federal portion of UI funds amounted to \$123,556,399 and additional funds of \$21,897,359 were provided by the American Reinvestment and Recovery Act (ARRA).

Note 4. Federally Funded Loan Programs

The Water Resources Board (WRB) administers the Oklahoma Clean Water Facility Construction Revolving Loan Account Program. The program had loans outstanding of \$220,196,207 at June 30, 2009. A federal grant from the U.S. Environmental Protection Agency provides approximately 80% of the program's loan funding, with State funds matching the remaining 20%.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$260,816,670 at June 30, 2009. The Oklahoma Drinking Water State Revolving Fund Program utilizes Federal Capitalization grants, from the U.S. Environmental Protection Agency under CFDA 66.468, required State matching funds equal to 20% of federal funds received, and interest income for drinking water loan assistance. Included in the schedule of federal expenditures are funds withdrawn for loans, state matching funds used for loans and program operating costs. During fiscal year 2009, the ODEQ withdrew federal funds in the amount of \$33,928,641. Of these funds, no funds were used for disbursements on loans originated.

Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2009, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$23,212,323 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557). The rebate contracts are authorized by 7 CFR 46.26(m) as a cost containment measure. The cash rebates were treated as a credit against prior food expenditures.

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$4,880,000 were in suspense at June 30, 2009, and

Notes to the Schedule of Expenditures of Federal Awards

once the modified contracts are approved by the U.S. Department of Transportation an estimated 100 percent will be considered available.

Note 6. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

Oklahoma Department of Commerce
 Oklahoma Department of Wildlife
 Oklahoma Department of Environmental Quality (CFDA 66.468)
 Oklahoma Insurance Department

Several programs were identified as major and audited as such in the separate single audits of these entities. The schedule separately identifies programs that were audited as major programs by independent auditors of entities within the State.

Note 7. Department of Education Grant Transfers

The Department of Education made the following transferability payments between programs for the fiscal year 2009:

Transferred To:	Improving Teacher Quality State Grants (CFDA #84.367)	Education Technology State Grants (CFDA #84.318)	Safe and Drug-Free Schools and Communities_ State Grants (CFDA #84.186)	Total
Title I Grants to LEAs (CFDA #84.010)	\$1,359,905.83	\$474.35	\$25,372.87	\$1,385,753.05
Education Technology State Grants (CFDA #84.318)	\$283,049.91		\$16,215.66	\$ 299,265.57
Safe and Drug-Free Schools and Communities_State Grants (CFDA #84.186)	\$5,169.86			\$ 5,169.86
State Grants for Innovative Programs (CFDA #84.298)	\$1,093,920.66	\$516.46		\$1,094,437.12
Totals:	\$2,742,046.26	\$990.81	\$41,588.53	\$2,784,625.60

Note 8. Department of Transportation Federal Soft Match Provision

Beginning in the year 1992, the Oklahoma Department of Transportation began using the “soft match” provision of the Inter-modal Surface Transportation Efficiency Act, which allows the maintenance and construction cost of toll facilities that serve interstate commerce to be used in lieu of state matching funds. Annually, dollars spent for major maintenance (reconstruction) of turnpikes or new construction may be added to the amount of soft match credit available for use as state match. The state’s share of expenditures is deducted from the available soft match amount. Federal money would then fund 100 percent of the project from the amount that had previously been apportioned for Oklahoma’s highway projects.

**Notes to the Schedule of
Expenditures of Federal Awards**

The Department utilized \$116,121,284 of the soft match provision for projects billed during fiscal year 2009. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

**Schedule of Findings
Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:.....unqualified

Internal control over financial reporting:

Material weakness(es) identified?.....yes

Significant deficiencies identified that are not considered to be material weakness(es)?.....yes

Noncompliance material to financial statements noted? no

For fiscal year 2009, the *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*, and related finding, was issued with the Comprehensive Annual Financial Report (CAFR) for the State of Oklahoma for the year ended June 30, 2009, dated December 31, 2009.

Federal Awards

Internal control over major programs:

Material weakness(es) identified?.....yes

Significant deficiencies identified that are not considered to be material weakness(es)?.....yes

Type of auditor's report issued on compliance for major programs: Unqualified for all major programs except for ARRA – Title I Grants to Local Educational Agencies, Recovery Act (84.389); ARRA – Special Education – Grants to States, Recovery Act (84.391); and ARRA – Special Education – Preschool Grants, Recovery Act (84.392) which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?yes

Dollar threshold used to distinguish between type A and type B programs:..... \$20,806,887

Auditee qualified as low-risk auditee? no

Identification of Major Programs:

	<u>Program and CFDA Number</u>	<u>State Agency</u>
SNAP Cluster	10.551 Supplemental Nutrition Assistance Program (SNAP) 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program	Department of Human Services
	12.400 Military Construction, National Guard	Military Department
	12.401 Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	Military Department
	14.228 Community Development Block Grants – State's Program and Non-Entitlement Grants/Hawaii	Department of Commerce

**Schedule of Findings
Summary of Auditor's Results**

<u>Program and CFDA Number</u>		<u>State Agency</u>
Fish and Wildlife Cluster	15.605 Sport Fish Restoration Program	Department of Wildlife Conservation
	15.611 Wildlife Restoration	
	15.634 State Wildlife Grants	Department of Wildlife Conservation
	17.225 Unemployment Insurance	Employment Security Commission
	17.225 ARRA – Unemployment Insurance	
WIA Cluster	17.258 Workforce Investment Act – Adults	Department of Commerce
	17.258 ARRA – Workforce Investment Act - Adults	
	17.259 Workforce Investment Act - Youth Activities	
	17.259 ARRA - Workforce Investment Act – Youth Activities	
	17.260 Workforce Investment Act - Dislocated Workers	
	17.260 ARRA – Workforce Investment Act – Dislocated Workers	
Highway Planning & Construction Cluster	20.205 Highway Planning and Construction	Department of Transportation
	20.205 ARRA – Highway Planning and Construction	
	20.219 Recreational Trails Program	
	66.468 Capitalization Grants for Drinking Water State Revolving Fund	Department of Environmental Quality
	81.041 State Energy Program	Department of Commerce
	81.041 ARRA – State Energy Program	
	81.042 Weatherization Assistance for Low-Income Persons	Department of Commerce
	81.042 ARRA – Weatherization Assistance for Low-Income Persons	
Title I, Part A Cluster	84.010 Title I Grants to Local Educational Agencies	Department of Education
	84.389 ARRA – Title I Grants to Local Educational Agencies, Recovery Act	
Special Education Cluster (IDEA)	84.027 Special Education – Grants to States	Department of Education
	84.173 Special Education - Preschool Grants	
	84.391 ARRA - Special Education – Grants to States, Recovery Act	
	84.392 ARRA – Special Education – Grants to States, Recovery Act	

Schedule of Findings
Summary of Auditor's Results

	<u>Program and CFDA Number</u>	<u>State Agency</u>
Vocational Rehabilitation Cluster	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States	Department of Rehabilitation Services
	84.390 ARRA – Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	
	84.357 Reading First State Grants	Department of Education
	84.367 Improving Teacher Quality Grants	Department of Education
	93.069 Public Health Emergency Preparedness	Department of Health
	93.268 Immunization Grants	Department of Health
	93.558 Temporary Assistance for Needy Families (TANF) State Programs	Department of Human Services
	93.563 Child Support Enforcement	Department of Human Services
	93.563 ARRA – Child Support Enforcement	
	93.568 Low Income Home Energy Assistance	Department of Human Services
	93.569 Community Services Block Grant	Department of Human Services
	93.569 ARRA – Community Services Block Grant	
	93.658 Foster Care – Title IV-E	Department of Human Services
	93.658 ARRA – Foster Care – Title IV-E	
	93.659 Adoption Assistance	Department of Human Services
	93.659 ARRA – Adoption Assistance	
	93.667 Social Services Block Grant	Department of Human Services
	93.767 Children's Health Insurance Program	Health Care Authority
Medicaid Cluster	93.775 State Medicaid Fraud Control Units	Attorney General
	93.777 State Survey and Certification of Health Care Providers and Suppliers	Health Care Authority
	93.778 Medical Assistance Program (Medicaid)	Health Care Authority
	93.778 ARRA – Medical Assistance Program (Medicaid)	Health Care Authority
	93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	Insurance Department

**Schedule of Findings
Summary of Auditor's Results**

Program and CFDA Number

State Agency

93.959 Block Grants for Prevention and Treatment of
Substance Abuse

Department of Mental
Health and Substance Abuse
Services

Schedule of Findings Federal Award Findings And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Education

FINDING NO: 09-265-001

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.389, 84.391, 84.392

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies – Recovery Act, Special Education Grants to States – Recovery Act, and Special Education Preschool Grants – Recovery Act

FEDERAL AWARD NUMBER: S389A0900036, H391A090051, H392A090084

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS:

CFDA #84.389- Title I Grants to Local Educational Agencies – Recovery Act \$50,334,317

CFDA #84.391- Special Education Grants to States – Recovery Act \$56, 434,003

CFDA #84.392- Special Education Preschool Grants – Recovery Act \$1,734,931

Criteria: According to 34 CFR § 80.20 (b) (7) *Cash Management*, “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees’ cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.”

According to 34 CFR § 80.21 (c) *Advances*, “Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.”

According to 34 CFR § 80.21 (i) *Interest earned on advances*, “Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.”

Condition: Oklahoma State Department of Education (OSDE), as Grantee of American Recovery and Reinvestment Act of 2009 (ARRA/the Act) funds, subawarded and advanced the majority of the first round Title IA, Special Education, and Special Education – Preschool grant ARRA funds to subgrantee schools in May of 2009.

Based on review of OSDE expenditure report logs received on November 16, 2009 for Title IA expenditures through June 30, 2009, 506 of 530 subgrantee schools had not expended all Title IA ARRA funds they were advanced. Of the \$54,687,691 Title IA ARRA funds advanced to the subgrantee schools, approximately \$4,353,374 had been reported as expended.

Based on review of OSDE expenditure report logs received on November 16, 2009 for Special Education ARRA expenditures through June 30, 2009, 284 of 530 subgrantee schools had not expended all Special

Schedule of Findings Federal Award Findings And Questioned Costs

Education ARRA funds they were advanced. Of the \$73,932,846.34 Special Education ARRA funds advanced to the subgrantee schools, approximately \$17,498,843.66 had been reported as expended.

Based on review of OSDE expenditure report logs received on November 16, 2009 for Special Education – Preschool ARRA expenditures through June 30, 2009, 422 of 530 subgrantee schools had not expended all Special Education – Preschool ARRA funds they were advanced. Of the \$1,940,970 Special Education ARRA funds advanced to the subgrantee schools, approximately \$206,039.26 had been reported as expended.

Cause: Oklahoma State Department of Education gave cash advances of ARRA funds to subgrantee schools with the understanding that the subgrantee schools would expend funds based on a legitimate financial need and that the ARRA funds would be timely disbursed as certified in assurance statements signed by the LEAs. However, OSDE did not ensure each LEA had an immediate financial need before advancing funds, which would minimize the time elapsing between the transfer of funds from the U.S. Treasury and the ultimate disbursement of funds for program purposes.

Effect: The subgrantee schools have cash balances of unexpended ARRA funds which is contrary to 34 CFR § 80 and ARRA guiding principles. Subgrantee schools may owe the federal agency interest on the advanced ARRA funds. In signed assurances, the LEAs agreed to return any interest earned on funds between the transfer of funds and the disbursement by the local entity. As of December 30, 2009, OSDE has collected and remitted to USDE a total of \$73,186.55 in return interest payments from LEAs.

Recommendation: Although the Oklahoma State Department of Education communicated to the LEAs the guiding principles to advance the ARRA’s short-term economic goals by investing quickly, and to support ARRA’s long-term economic goals by investing wisely, we recommend OSDE continue to direct the subgrantee schools to expend the first round ARRA funds timely as intended by the Act. Also, the Oklahoma State Department of Education should continue to collect and remit to United State Department of Education interest submitted by the LEAs.

Views of Responsible Official(s):

Contact Person: Cindy Koss, Assistant State Superintendent, Office of Standards and Curriculum
Misty Kimbrough, Assistant State Superintendent, Special Education Services
Lu Norman, Executive Director, Financial Accounting/Audit

Anticipated Completion Date: The OSDE’s standard process of claims reimbursement is currently in effect for the second portion of the Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds. The OSDE has a web-based Title I, Part A, ARRA and the IDEA, Part B, ARRA reporting system that allows for transparent reporting of the use of funds, and documents expenditures for the first and second portion of Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds. This reporting system is separate from the Title I, Part A, and the IDEA, Part B, non-ARRA federal award data collection. The OSDE continues to direct subgrantee LEAs to expend the remaining first round ARRA funds timely as intended by the Act. This has been accomplished via letters to superintendents, trainings, and telephone calls to all LEAs.

In addition, interest earned on the distribution of the first 50% of funds was returned to the USDE in December, 2009, (OSDE Web site ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>) and any additional interest earned by LEAs will be returned to USDE in the months that follow.

Corrective Action Planned: The Oklahoma State Department of Education (OSDE) Standard Title I, Part A and IDEA, Part B Payment Method - Claims Reimbursement

Over the years, the OSDE standard Title I, Part A and the Individuals with Disabilities Education Act (IDEA), Part B payment method has been claims reimbursement. Title I, Part A, IDEA, Part B, Title I, Part A, ARRA second portion, and IDEA, Part B, ARRA second portion of grant funds are disbursed by the OSDE on claims reimbursement basis.

Exception to Standard Practice - Title I, Part A, ARRA and IDEA, Part B Cash Advance

Schedule of Findings Federal Award Findings And Question Costs

The disbursement of the first portion of Title I, Part A, ARRA and IDEA, Part B, ARRA funds was an exception to the OSDE standard practice. It was determined that the directive from President Obama and Secretary of Education Duncan was to get the funds in the hands of local educational agencies (LEAs) as soon as possible. The OSDE understood that these funds were meant to save jobs and be available to LEAs immediately and therefore the OSDE determined that the procedure for disbursing the first portion of Title I, Part A, ARRA and the IDEA, Part B, ARRA funds would be cash advances.

Initially, it should be noted that the time period involved in this annual single audit which relates to the receipt and disbursement of ARRA funds to school districts is from May – June 30, 2009.

According to 34 CFR 80.20 (b)(7) Cash Management, *“Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasurer and disbursement by grantees and subgrantees must be followed whenever advanced payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees’ cash balance and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transaction reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdown’s as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.”*

The Oklahoma State Department of Education (OSDE) implemented procedures to ensure that not only did the subgrantees (school districts) have legitimate financial needs, but also provided instructions to the school districts regarding the regulations surrounding the funds. And in addition to ensuring school districts recognized the requirements of Cash Management; OSDE disbursed the ARRA funds within the mandated timeframe.

OSDE issued a statement of assurance certifying the school district would adhere to Cash Management Improvement Act. Each Superintendent receiving ARRA funds were required to sign the statement of assurance; thus recognizing the requirements of the “Act” and their responsibility to appropriating, obligating, drawing, and disbursing these funds within the mandates and only maintain cash balances to meet their immediate cash needs.

To ensure that Oklahoma had adequately tools and procedures in place to meet the requirements of the Cash Management Improvement Act, OSDE also provided:

- Separate expenditure and revenue codes within the Oklahoma Cost Accounting System (OCAS) that would provide the school districts with the tools to identify and track the ARRA funds;
- Required school districts to file a monthly report to the State Department of Education relating to warrants paid as well as cash on hand for these funds; and
- Conducted several inservices and meetings with school district Superintendents, Auditors, Business Managers and other school district personnel.

Further, OSDE has been in continual contact with the school district personnel and external partners.

After assuring all safe guards were in place, the districts were able to start drawing the funds in May, 2009 (audit year ending in June 2009). Funds were available upon a district signing and submitting the Acknowledgments and Assurances Statement certifying to all the requirements.

This period of time (six weeks), before the end of the fiscal year, meet with restrictions on availability of goods and services for the many items schools were ordering. Further, six weeks only incorporated one board meeting, per school district, to approve purchase orders and encumber funds.

Schedule of Findings Federal Award Findings And Questioned Costs

The State Department of Education was monitoring the cash flow and as we have explained, had procedures in place. Therefore, based on the information provided herein, we disagree with this finding. We provided the auditors with this documentation verifying OSDE's procedure.

According to 34 CFR 80.21 (i) Interest earned on advances.

As previously stated, this audit was performed for the initial ARRA draw downs which only encompasses six weeks; from May to June 30, 2009. Any interest earned during that time period was returned and the remainder will be remitted quarterly. However, each district was informed interest earned after the first \$100 of the funds invested, would be returned to the State Department of Education, which in turn would be returned to the United States Department of Education. Prior to disbursement of ARRA funds to the school districts, OSDE conducted an in-service with the Oklahoma Independent School Auditors to address the issues of Supplement/Supplant, Maintenance of Effort, Cash Advances, Interest Earned, Period of Availability, Accountability of Funds, and Administrative Cost. Oklahoma Statute Title 70, Section 22-103 places the financial audit of fiscal federal responsibility of the Single Audit Act with the independent audits. The OSDE will not receive the 2009 ARRA audits under the guideline of the Single Audit Act until March 30, 2010. At that time OSDE, will review and resolve all findings of noncompliance of federal regulations when cited in the individual, independent audit.

Therefore, considering OSDE has not received all the Single Audits as of this date, we also disagree with this finding.

The OSDE has not been cited for cash in bank accounts of school districts. It has been cited for not having procedures in place to insure compliance with the Cash Management Act. OSDE believes that for the six weeks the districts had ARRA money OSDE did have procedures in place.

Further, OSDE disagrees that this would be considered a Material Weakness. We recognize determining "material weaknesses" can be subjective. However, using the Yellow Book definition, a material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

This audit finding does not assert that funds have been misappropriated, funds have been unaccounted for, or that funds have misstatement of the financial statements. School districts had at the end of June 30, 2009 (six weeks from the date the funds were available to drawn down) to warrant the expenditures or record the funds in reserve on the Schedule of Education Federal Finance Awards (SEFFA). All the ARRA funds have been recorded on the SEFA of the audits OSDE has received to date for the school year 2009. Further, OSDE will continue to monitor each audit to ensure that all funds will be reported.

OSDE also disagrees with applying the term "significant deficiency." In light of all the procedures and systems (checks and balances of the individual audit against submitted financial reports) OSDE has in place, there are several points within the process that will detect and prevent misstatement of financial statements.

Therefore, OSDE requests a reconsideration of these findings.

The OSDE Establishment of Internal Controls Prior to Allocation of Title I, Part A, ARRA, and the IDEA, Part B, ARRA Funds

The OSDE implemented multiple internal controls listed below to ensure subgrantee LEAs had legitimate financial need and that the ARRA funds were disbursed in a timely manner.

- **Directive to subgrantee districts from the OSDE**
 - The OSDE issued several directives to the subgrantee LEAs directing them to expend the first round of Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds in a timely manner as intended by the Act. On March 11, 2009, and March 12, 2009, the OSDE met

Schedule of Findings

Federal Award Findings

And Question Costs

with all LEA superintendents to communicate the ARRA requirements (OSDE Web site – ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>).

The OSDE provided LEAs the initial United States Department of Education (USDE) guidance, procedures and all subsequent guidance and procedures related to the first 50% of Title I, Part A, ARRA and the IDEA, Part B, ARRA allocations (OSDE Web site – ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>). The following was provided to LEAs:

- ARRA Implementation Guide covering the requirements related to cash advances of Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds (OSDE Web site -ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>);
 - Letters to LEA superintendents outlining federal fiscal requirements (OSDE Web site - ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>);
 - Letters to LEA superintendents and business officials concerning interest earned on Title I, Part A, ARRA, and the IDEA, Part B, ARRA cash advances and requirements for expenditure reporting to document allowable expenditures (OSDE Web site - ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>); and
 - Videoconferences with LEA staff to explain ARRA requirements as defined by the USDE at the time. (OSDE Web site – ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>)
 - Additional communication to subgrantee LEAs documenting the OSDE directives; oversight and monitoring are available on the OSDE Web site ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>.
- **Title I, Part A, ARRA, and the IDEA, Part B, ARRA Certified Assurances from LEA Superintendents**
 - The OSDE sent memorandums and Assurance Forms, containing seven required assurances outlining federal fiscal requirements to LEA superintendents on April 23, 2009 (OSDE Web site ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>).
 - Assurance number four reads, “The LEA acknowledges that the stimulus funds may be drawn down (or if funded on an advance basis by the OSDE) and agrees to minimize the time between the transfer of funds and the disbursement by the local entity in accordance with the Cash Management Improvement Act (31 CFR part 205). Additionally, the LEA agrees to maintain cash balances which meet their immediate cash needs only.” (OSDE Web site – ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>).
 - Due to the unique circumstances of ARRA funding, the OSDE required district superintendents to sign and certify that they would follow required federal fiscal assurances prior to the release of the cash advance of the first 50% of the Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds OSDE Web site - ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>). Assurances were due by May 15, 2009. The first assurances were submitted in early May, 2009 with the first payments May 7, 2009. Where some assurances were not timely received by the OSDE, Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds were not released until August, 2009. (OSDE Web site - ARRA Page <http://www.sde.state.ok.us/Finance/Recovery/default.html>).

The OSDE established separate Oklahoma Cost Accounting System (OCAS) reporting codes and notified LEAs prior to release of Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds. (OSDE Web site – ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>)

Schedule of Findings Federal Award Findings And Questioned Costs

- **Title I, Part A, ARRA, and the IDEA, Part B, ARRA Requirements - In-Service for Independent School Auditors**
 - Prior to payment of ARRA funds to the LEAs, an in-service was held May 13, 2009, with all Oklahoma Independent School Auditors to address the issues of Supplement/Supplant, Maintenance of Effort, Cash Advances, Interest Earned, Period of Availability, Accountability of Funds and Administrative Cost (OSDE Web site ARRA Page <http://www.sde.state.ok.us/Finance/Recovery/default.html>).
- **Title I, Part A ARRA, and the IDEA, Part B, ARRA Reporting and Interest Issues**
 - On the Assurance Form referenced above, assurance number seven reads, “The LEA agrees to return any interest earned on funds between the transfer of funds and the disbursement by the local entity.” These assurances required a signature from the superintendent of the LEA to evidence their understanding and agreement. Interest earned by LEAs has been returned through the OSDE Office of Fiscal Services in December, 2009 to the USDE in the amount of \$33,253.75 for Title I, Part A, ARRA and \$39,568.14 for the IDEA, Part B, ARRA. (OSDE Web site ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>)
 - A June 5, 2009, letter notified LEA superintendents that they were required to submit expenditure reports to the OSDE to document Title I, Part A ARRA, and the IDEA, Part B, ARRA funds spent.
(OSDE Web site - ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>)

Annual Independent State Audit of LEAs – Monitoring of Use of Funds

Oklahoma State Statute 70-22-103 places the financial compliance of fiscal federal responsibility with the Annual Independent Audit. The OSDE will not receive the 2009 ARRA audits under the guideline of the Single Audit Act until March 30, 2010. At that time the OSDE will review and resolve all findings that are not in compliance with the federal regulations as cited in the audit. In addition to the in-service of the auditors, the OSDE conducted three workshops for LEAs.

A-133 Supplemental Guidance

A-133 supplemental guidance by the USDE was available to the OSDE in August, 2009 which was after the Oklahoma release of funds to LEAs. Oklahoma takes its responsibility very seriously that subgrantees spend grant funds for allowable expenses and as previously stated Oklahoma’s standard practice is a claims reimbursement process for all grant funds. The first portion of Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds was an exception to this because it was thought that the directive of the Obama administration was to get the money to the LEAs quickly and to ensure accurate reporting and spending was documented.

The OSDE had internal controls in place prior to the release of ARRA funds, including but not limited to informing LEA superintendents (OSDE Web site ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>) to expend the first round of ARRA funds timely, and by requiring signed and certified Assurances from LEA superintendents as described above. The OSDE is following the law that requires interest earned by the LEA be returned to the USDE.

The following are the actions that the OSDE has already taken:

1. The OSDE will continue to use the claims reimbursement method monitored and approved over the years by the USDE for its federal grant programs, including the second portion of Title I, Part A, ARRA, and the IDEA, Part B, ARRA funds allocated to subgrantee LEAs;
2. The OSDE will continue to return any additional interest earned by LEAs from the Title I, Part A, ARRA, and the IDEA, Part B, ARRA cash advance;
3. The OSDE will continue to monitor the expenditures of Title I, Part A, ARRA and the IDEA, Part B, ARRA, to ensure accuracy and transparency;

Schedule of Findings Federal Award Findings And Question Costs

4. Ongoing technical assistance is documented on OSDE Web site ARRA page <http://www.sde.state.ok.us/Finance/Recovery/default.html>;
5. The OSDE has been in the process of surveying all LEAs regarding their use of the first round of ARRA funds to further ensure transparency and accountability; and
6. The OSDE will work cooperatively toward resolution regarding this finding.

As of March 24, 2010, Title I, Part A, ARRA has documented expenditures with a total of \$22,628,383.05 of the first 50% of funds. As of March 24, 2010, the IDEA, Part B, ARRA has documented expenditures with a total of \$54,771,812.65.

FINDING NO: 09-265-002

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.389, 84.391, 84.392

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies-Recovery Act, Special Education Grants to States – Recovery Act and Special Education Preschool Grants – Recovery Act

FEDERAL AWARD NUMBER: S389A0900036, H391A090051, H392A090084

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – R3 – Subrecipient Monitoring – Applicable to all major programs with expenditures of ARRA awards

QUESTIONED COSTS: \$0

Criteria: 2 CFR section 176.210(c) states: “Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office.”

The June 2009 OMB Circular A-133 Compliance Supplement (R3) states: “Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC.”

2 CFR 176.210 Award term—Recovery Act Transactions listed in Schedule of Expenditures of Federal Awards and Recipient Responsibilities for Informing Subrecipients states:

“The award term described in this section shall be used by agencies to clarify recipient responsibilities regarding tracking and documenting Recovery Act expenditures:

(a) To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111–5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 “Uniform Administrative Requirements for Grants and Agreements” and OMB Circular A–102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A–102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>.

(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A–133, “Audits of States, Local Governments, and Non-Profit Organizations,” recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data

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Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix "ARRA-" in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC.

(c) Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program.

(d) Recipients agree to require their subrecipients to include on their SEFA information to specifically identify Recovery Act funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditure of ARRA funds as well as oversight by the Federal awarding agencies, Offices of Inspector General and the Government Accountability Office.

Condition: The Department was unable to provide evidence that:

- the Federal award number for ARRA was communicated to its subrecipients at the time of subaward, and
- the requirement to separately identify the expenditures for ARRA federal awards on their Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection form (SF-SAC) was communicated to its subrecipients.

Although the Department failed to timely communicate the SEFA reporting requirements to its subgrantee schools, it should be noted that the Department's Financial Accounting/Auditing Division is monitoring subgrantee schools subject to OMB Circular A-133 Single Audit requirement, at the time the Independent audit reports are received, to ensure AARA federal awards are coded separately with correct CFDA numbers.

Additionally, the Department is monitoring the subgrantee schools' quarterly reporting process to ensure ARRA funds are identified by CFDA number on separate rows under item 9 of Part III on the SF-SAC.

Cause: The Department advanced ARRA funds to subgrantee schools prior to the release of ARRA specific guidance by the Office of Management and Budget, and did not ensure they followed ARRA specific guidance once it was available.

Effect: The Department is not in compliance with the above stated requirements for ARRA funds. There is an increased risk that subgrantee schools may not separately account for and report on their ARRA federal awards or comply with additional compliance requirements specific to these funds.

Recommendation: We recommend the Department immediately implement procedures to ensure all subgrantee schools are informed of the ARRA federal award number and the requirement to separately identify the expenditures for ARRA federal awards on their Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection form (SF-SAC). We further recommend the Department implement procedures to ensure for future subawards of ARRA funds, the subgrantee schools are informed of the ARRA federal award number and the requirement to separately identify the expenditures for ARRA federal

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awards on their Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection form (SF-SAC) at the time of the subaward.

Views of responsible Official(s):

Contact Person: Anita Eccard, Associate State Director, Special Education Services
Mary Pearson, Executive Director, Title I/School Support
Ms. Lu Norman, Executive Director, Financial Accounting/Audit

Anticipated Completion Date: July 1, 2010

Corrective Action Planned: No federal guidance was provided prior to the June 2009 OMB Circular A-133, available on August 7, 2009 to adequately address this issue. ARRA awards were made available in May 2009, before the compliance supplement was issued in June of 2009 and posted August of 2009. These new requirements were not communicated to the State by USDE prior to the release of the funds. OCAS sent a one-time notification to all districts that directed subgrantee schools to separately identify the expenditures for ARRA federal awards on their SEFA and the SF-SAC. This documentation is provided by OCAS. The Allocation Notice and the Payment Notice for IDEA, Part B ARRA Flow-Through (Project 622), Preschool (Project 643), and Title I Part A, ARRA (Project 516) contain the CFDA number on the back of these documents.

The OSDE posts all CFDA numbers on the web, provides workshops instructing schools to visit the Web site, as well as mailing all schools a copy of the Oklahoma Cost Accounting Manual that includes a separate page of all updates where all CFDA numbers are provided in the source of revenue section. All schools were notified of all CFDA numbers prior to any funds distributed. The OCAS manual is posted on the Web site as well as all updates and additions of new numbers. All numbers are assigned and schools notified prior to the distribution of funds.

The OSDE will provide documentation that it notified all districts of SEFA requirements and that it will continue to: (1) separately identify to each subrecipient the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC.

FINDING NO: 09-265-004

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.027, 84.173

FEDERAL PROGRAM NAME: Special Education Grants to States and Special Education Preschool Grants

FEDERAL AWARD NUMBER: H027A080051, H173A080084

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: The June 2009 OMB Circular A-133 Compliance Supplement Addendum #1, Part M. Subrecipient Monitoring states, "A pass-through entity is responsible for: *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements."

Condition: The Department was unable to provide evidence that the name of Federal awarding agency was communicated to subrecipients at the time of the award.

Although the Department failed to communicate partial award identification, it should be noted that the Department makes subrecipients aware of the United States Department of Education Guidance available on ed.gov.

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Cause: The Department does not have adequate procedures in place to ensure required Federal award information and applicable compliance requirements are communicated to subrecipients at the time of the award.

Effect: The Department is not the compliance with the above stated requirement. There is an increased risk that subrecipients may not separately account for and report on their federal awards or comply with additional compliance requirements specific to these funds.

Recommendation: We recommend the Department implement procedures to ensure all required Federal award information and applicable compliance requirements are communicated to subrecipients at the time of the award.

Views of responsible Official(s):

Contact Person: Anita Eccard, Associate State Director, Special Education Services

Anticipated Completion Date: July 1, 2010

Corrective Action Planned: Although the award notice does indicate, "*Individuals with Disabilities Education Act*" which is the federal program administered by the United States Department of Education, we do acknowledge that the award notice did not spell out United States Department of Education (the federal awarding agency). The OSDE provides the CFDA number on the IDEA, Part B Budget Application and Payment Notice. The Department posts all CFDA numbers on the Web site, provides workshops instructing schools to visit the Web site, as well as providing all school districts a copy of the Oklahoma Cost Accounting Manual, listing individually all updates where all CFDA numbers are provided in the source of revenue section. All school districts were notified of all CFDA numbers prior to any funds being distributed.

All notices sent from the Oklahoma State Department of Education-Special Education Services Division will have the awarding federal number and the awarding agency of the grant listed clearly from this point forward.

FINDING NO: 09-265-005

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.389, 84.391, 84.392

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies-Recovery Act, Special Education Grants to States – Recovery Act and Special Education Preschool Grants – Recovery Act

FEDERAL AWARD NUMBER: S389A0900036, H391A090051, H392A090084

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: The June 2009 OMB Circular A-133 Compliance Supplement Addendum #1, Part M. Subrecipient Monitoring states, "A pass-through entity is responsible for: *Central Contractor Registration* -identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration (CCR), including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number, and maintaining the currency of that information." Audit objectives include, "Determine whether the pass-through entity determined that subrecipients have current CCR registrations prior to making subawards and performed periodic checks to ensure that subrecipients are updating information, as necessary."

2 CFR 176.50(c) states "Recipients and their first-tier recipients must maintain current registrations in the Central Contractor Registration (<http://www.ccr.gov>) at all times during which they have active federal awards funded with Recovery Act funds. A Dun and Bradstreet Data Universal Numbering System (DUNS) Number (<http://www.dnb.com>) is one of the requirements for registration in the Central Contractor Registration."

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Condition: The Department was unable to provide evidence that they ensured subrecipients had current CCR registrations prior to making subawards and that the Department performed periodic checks to ensure that subrecipients are updating information as necessary.

Although the Department failed to provide documentation they checked CCR to determine whether subrecipients were registered, it should be noted that the Department maintains a “District DUNS Numbers” listing which includes updates to current district data.

Cause: The Department did not have adequate procedures in place to ensure they followed applicable compliance requirement for ARRA awards to subrecipients. The Department also did not have adequate procedures in place to ensure applicable compliance requirements were communicated to subrecipients at the time of the award.

Effect: The Department is not the compliance with the above stated requirement for ARRA funds. There is an increased risk that subrecipients may not provide accurate and timely reports on their federal awards or comply with additional compliance requirements specific to these funds.

Recommendation: We recommend the Department implement procedures to ensure all applicable compliance requirements are communicated to subrecipients at the time of the award. We also recommend the Department ensure they have followed all related compliance requirements for ARRA awards to subrecipients.

Views of responsible Official(s):

Contact Person: Anita Eccard, Associate State Director, Special Education Services
Lu Norman, Executive Director, Financial Accounting/Auditing

Anticipated Completion Date: This is an ongoing process, as the registration is reactivated yearly.

Corrective Action Planned: ARRA awards were made available in May 2009, before the compliance supplement was issued in June of 2009 and posted August of 2009. These new requirements were not communicated to the State by USDE; prior to the release of the funds. Our research for CCR numbers provided us the information that LEA can choose to be excluded from the search capabilities, which prevents the agency from verifying that the number is active or inactive. The Oklahoma State Department of Education will seek a waiver from the Office of Inspector General, Office of Special Education and Title I on the June 2009 Circular A-133 Compliance Supplement Addendum #1, Part M, due to the hardship and difficulty LEAs experience in acquiring a CCR number.

All districts are notified through list serve e-mail and phone communications that they must keep their registration reactivated yearly.

FINDING NO: 09-265-008

STATE AGENCY: Oklahoma State Department of Education

FEDERAL AGENCY: United States Department of Education

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies-Part A

FEDERAL AWARD NUMBER: S010A080036A

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – N3 – Comparability

QUESTIONED COSTS: \$0

Criteria: According to section 1120 (c) of the Elementary and Secondary Education Act of 1965 (ESEA)(20 USC 6321(c)), each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. The LEA must maintain records that are updated biennially documenting compliance with the comparability requirements. The SEA, however, is ultimately responsible for ensuring that LEAs remain in compliance with the comparability requirement.

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The Department has established the following procedure to help ensure Local Educational Agencies (LEAs) meet comparability requirements:

- Review calculations on LEA comparability reports and supporting data for accuracy to determine if calculations are substantially comparable (pupil/teacher ratio should be no more than 110%) in each school.
- The Team Leader of Title I, Part A sends a letter to the LEA superintendent informing them the comparability requirements have been met if calculations are substantially comparable, or of the requirement to submit written assurances that steps will be implemented to meet comparability if the comparability requirements have not been met.

Condition: Of the 25 LEAs tested, the Department was unable to provide evidence that a letter was submitted to seven LEAs informing them that the comparability requirements have been met, nor did the Department obtain written assurances from the LEAs that steps will be implemented to meet the comparability requirements.

Cause: The Department has not timely completed their review of the comparability documents provided by seven LEAs to determine if comparability requirements were met.

Effect: LEAs receiving Title I, Part A funding may not meet comparability requirements.

Recommendation: We recommend the Department timely perform established procedures to ensure all LEAs are timely informed whether they have met comparability requirements.

Views of responsible Official(s)

Contact Person: Ramona Coats, Team leader-Title I, IIA & VIB

Anticipated Completion Date: Procedures have been implemented for this year to include districts being notified of compliance or noncompliance no later than March 31, 2010.

Corrective Action Planned: We concur with your recommendation. The office of Title I, Title IIA, and VI has implemented steps for FY 2011 to ensure that districts required to demonstrate comparability are notified of compliance in a timely manner, no later than January of each year. The steps implemented establish the following timeline:

October Comparability Memorandum/Reports sent to eligible districts

November Comparability Reports due last week in November

December SDE staff members review Comparability Reports

January Districts will be notified the first week of January that Comparability has been met or if out of compliance a corrective action plan will be required.

Employment Security Commission

FINDING NO: 09-290-001 **Repeat Finding**

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-08-55-A-40 and UI-16767-09-55-A-40

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

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Criteria: A basic objective of Generally Accepted Accounting Principles is to provide accurate and reliable information.

In addition, the UI Reports Handbook No. 401 states that for the ETA 581 Report, Contribution Operations-9(b) Item 34 - Amount Determined Receivable During a Report Period, "Enter amount of payments in lieu of contributions determined as past due during the report quarter based on current billings to reimbursing employers which are unpaid."

Condition: During our state fiscal year 2009 audit we tested the ETA 581 Reports for the quarters ending December 31, 2008 and March 31, 2009 and noted that the total for item 34 - Amount Determined Receivable During a Report Period from the data provided by OESC did not agree to the amount reported on the ETA 581 Reports. A variance of \$78,916 was noted for the quarter ending December 31, 2008 and a variance of \$41,729 was noted for the quarter ending March 31, 2009.

Cause: Per discussion with OESC personnel we learned that the data we were provided was produced from the UIA Database and the data used to prepare the ETA 581 Report was extracted from the Commission's mainframe. Input data runs parallel into both the mainframe and the UIA Database. OESC believes that the discrepancy between the two is caused by an error in the UIA system.

Effect: We were unable to determine if the amount reported on the ETA 581 Report for item 34 - Amount Determined Receivable During a Report Period is accurate.

Recommendation: We recommend the Commission perform procedures to validate the information reported on the ETA 581 Report. We also recommend that for future audits the Commission provide the State Auditor's Office with source data from the system used to prepare the ETA 581 report.

Views of Responsible Official(s)

Contact Person: Barbara Ramsey

Anticipated Completion Date: As software is made available by DOL

Corrective Action Planned: The ETA581 Report, Contributions Operations is validated via the Unemployment Insurance Data Validation Program (UI Tax Validation) established by the Department of Labor. The OES-876, *Quarterly Statement for Reimbursement of Benefits Paid* are archived and will be available as the source document for the ETA 581, Item 34.

FINDING NO: 09-290-004 Repeat Finding

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S. Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-08-55-A-40 and UI-16767-09-55-A-40

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Special Tests and Provisions – Employer Experience Rating

QUESTIONED COSTS: Undeterminable

Criteria: Oklahoma's Unemployment Insurance contribution rates are determined by the Employer Experience Rating system as described in 40 O.S. §3-109. This statute states, "The contribution rate for each employer for each calendar quarter after December 31, 1983, to be applied to his current payroll shall be in accordance with the following table based upon the state experience factor and his benefit wage ratio." (Due to the size of the table, it has not been included in this finding).

Condition: The Oklahoma Employment Security Commission (Commission) uses a computer system to apply the rates based on the employer's benefit wage ratio and the State Experience Factor. In the prior year audit we noted the table programmed into the system varied from the table in 40 O.S. §3-109. Based

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on follow-up procedures performed, it appears the Commission did not correct this finding during State Fiscal Year 2009.

Cause: Based on discussions with management, it appears that adjustments were made to the Employer Experience Rating table in approximately fiscal year 2003. The rate changes were not approved by the Legislature. The rate changes have been submitted to the 2010 Oklahoma Legislature as (House Bill) HB 2704. As of February 12, 2010, the bill had passed committee and was scheduled to go to the House of Representatives for a vote.

Effect: Employers may be charged rates different than those set by State statute.

Recommendation: We recommend the Commission continue to follow HB 2704 closely to ensure the rate changes are approved by the Legislature and Governor.

Views of Responsible Official(s)

Contact Person: Levi C. Onwuchuruba.

Anticipated Completion Date: April 1, 2010

Corrective Action Planned: We are following the bill closely and confident that it will pass.

FINDING NO: 09-290-005

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: U.S.Department of Labor

CFDA NO: 17.225

FEDERAL PROGRAM NAME: Unemployment Insurance

FEDERAL AWARD NUMBER: UI-16767-08-55-A-40 and UI-16767-09-55-A-40

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: A component objective of good internal controls is the maintenance of documents supporting federal reports.

Condition: Based on testwork performed, it appears the Oklahoma Employment Security Commission could not provide supporting documentation for all of the ETA 227, Overpayment Detection and Recovery Activities Reports, for State Fiscal Year (SFY) 2009. The following reports were not provided as supporting documentation: the BN1261L1 for the week ending 12/31/08 and the UIB540L1 reports for the weeks ending 10/11/08 and 4/5/09.

Cause: Based on conversation with staff responsible for submitting the ETA 227, it appears the documentation to support the reports is sent to the employee in a PDF file and must be backed up to a CD within 14 days, after which, the Benefits System automatically deletes the file and the information is no longer available.

Effect: The Commission may be at risk of losing important documentation.

Recommendation: We recommend the Commission develop and implement policies and procedures to ensure that all supporting data used in the preparation of the ETA 227 report is retained.

Views of Responsible Official(s)

Contact Person: Mark Chumley

Anticipated Completion Date: April 01, 2010

Corrective Action Planned: Thank you for bringing this to our attention.

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The Commission will implement a procedure that will require another staff member make the necessary back up of the supporting documentation for the ETA-227 on a daily basis. At the end of the year all documentation will be “burned” to a CD for retention.

The Commission is in the initial phases of a system redesign which will ensure all documentation for the ETA-227 is stored and backed up automatically.

Department of Health

FINDING NO: 09-340-001

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.069

FEDERAL PROGRAM NAME: Public Health Emergency Preparedness

FEDERAL AWARD NUMBER: 5U90TP616982-08/09

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$-0-

Criteria: OMB Circular A-133, Subpart D §____.400(d) states, in part:

“A pass-through entity shall perform the following for the Federal awards it makes...

(4) Ensure that subrecipients expending \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

(6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records...”

According to the Oklahoma State Department of Health's Subrecipient Contract Monitoring and Administration Procedures Manual, Chapter 11.1 to 11.2 , the subrecipients audit status (yes or no) should be recorded in the Contract Administration Plan and the Contract Monitoring and Administration Database. The manual further indicates that the Contract Administrator is responsible for routinely and periodically reviewing the audit requirements with the Contract Monitor, checking the status of audit reports until received, and logging the receipt of the audit report in the Contract Administrator Database.

Condition: The Department did not receive a fiscal year 2008 OMB A-133 audit for one of its two Public Health Emergency Preparedness subrecipients and did not perform appropriate follow-up procedures to obtain the audit.

Cause/Effect: Lack of training and excessive turnover in the Procurement Department resulted in staff members who did not understand the requirements of OMB Circular A-133 or the agency's policies and procedures for ensuring the OMB Circular A-133 requirements were met.

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Recommendation: We recommend training of the Procurement Department's staff and the Contract Monitor to ensure they are aware of the subrecipient audit requirements in OMB Circular A-133 and the Department's policies and procedures for ensuring the OMB Circular A-133 requirements are met.

Views of Responsible Official(s)

Contact Person: Greg Morley, Chief of Procurement.

Anticipated Completion Date: July 31, 2010

Corrective Action Planned: It is the intent of the department to embark on an aggressive training plan for Procurement staff and contract monitors. The intent is to identify those who require training, explain roles and responsibilities and emphasize interaction between contract monitors and Procurement staff that will ensure adherence to the departments Subrecipient Contract Monitoring and Administration Procedures manual as well as the requirements of OMB Circular a-133. Additionally, the Procurement staff will develop tools (spreadsheets and databases) for tracking the status of audits from Subrecipient contractors. These tools will be used in partnership with contract monitors to conduct inquiries and follow ups with contractors regarding audit status.

FINDING NO: 09-340-003

STATE AGENCY: Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.069

FEDERAL PROGRAM NAME: Public Health Emergency Preparedness

FEDERAL AWARD NUMBER: 5U90TP616982-08/09

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Sub Recipient Monitoring (Non A-133)

QUESTIONED COSTS: \$0.00

Criteria: Office of Management Budget (OMB) Circular A-133 Compliance Supplement, Part 3, Subpart M – Sub Recipient Monitoring state in part:

A pass-through entity is responsible for: ...Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The Contract Monitoring Plan for Oklahoma City-County Health Department for the period of August 10, 2008 to August 9, 2009 states at least one site visit shall be conducted during the contract period. It also states that a Financial Contract Compliance Screening Tool shall be completed during the contract period as part of a site visit.

Condition: During our testing procedures, the Department could not provide us with a completed Financial Contract Compliance Screening Tool as evidence that a site visit had been performed for one of its two Public Health Emergency Preparedness subrecipients (Oklahoma City-County Health Department).

Effect: It appears the Department is not in compliance with OMB Circular A-133 Subrecipient Monitoring requirements and the provisions of the Contract Monitoring Plan.

Recommendation: We recommend the Department maintain a completed Financial Contract Compliance Screening Tool as evidence that a site visit has been performed during the contract period, as stated in the Contract Monitoring Plan. This will help ensure compliance with the OMB Circular A-133 Compliance Supplement, Part 3, Subpart M – Subrecipient Monitoring requirements.

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Views of Responsible Official(s)

Contact Person: Greg Morley, Chief of Procurement

Anticipated Completion Date: July 31, 2010

Corrective Action Planned: Programmatic and financial site visits are required in accordance the agency's Contract Monitoring and Administration Procedure Manual. Beginning in April 2010 through July 2010, training will be conducted for contract monitors and administrators that will address this topic and ensure site visits are performed. The training will identify responsibilities and outline the requirements for maintaining documentation regarding the site visits.

FINDING NO: 09-340-005 (**Repeat Finding**)

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.069

FEDERAL PROGRAM NAME: Public Health Emergency Preparedness

FEDERAL AWARD NUMBER: 5U90TP616982-08/09

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Equipment and Real Property Management

QUESTIONED COSTS: \$-0-

Criteria: A critical aspect of effective inventory management is the maintenance of accurate inventory records. The A-102 Common Rule requires that equipment records shall be maintained, and a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records for equipment purchased with Federal awards.

2 CFR Part 225 (OMB Circular A-87) Appendix A, section C. states: "To be allowable under Federal awards, costs must meet the following general criteria.... e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit." and "g. Except as otherwise provided for in 2 CFR Part 225, be determined in accordance with generally accepted accounting principles."

74 O.S., § 110.1, states, in part:

- A. The Director of Central Services shall have the authority to promulgate rules to implement the provisions of this section.
- B. For entities included in subsection A of this section, the Director of Central Services shall specify a tangible asset reporting threshold for each entity...

OAC 580: 70-1-3 (a) General threshold, states, "Unless the Director specifies otherwise..., the threshold for tangible asset inventory reports is \$500.00."

OAC 580: 70-3-1 (a) Report due date, states, "All agencies must submit an annual report of current inventory of tangible assets owned by the agency as of June 30 of the preceding fiscal year to the Department by August 15. The report shall include all tangible assets based upon the threshold stated in 580:70-1-3(a)."

Condition: During our follow up of prior year findings over equipment, we noted the following conditions still exist for SFY 2009:

- Purchase order amounts are used to record equipment in the Department's records rather than the actual costs of the items. Purchase order amounts may not include ancillary charges that are directly attributable to the acquisition-such as freight and site preparation costs.

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- There appears to be no formal policy in place regarding the valuation of equipment at the time of disposition. The current software used for inventory defaults to a salvage value for all assets of 10% of the original purchase price.
- Policies to communicate applicable requirements and guidelines for equipment and to discourage misuse of Federal assets have not been finalized.

In addition, a reconciliation of the SFY 2009 inventory to the agency's accounting records has not been performed.

Effect: Without accurate inventory records and official policies and procedures, the Department may be unable to demonstrate proper accountability over equipment purchased with Federal awards.

Recommendation: We recommend the Department continue in its efforts to develop appropriate policies and procedures related to equipment valuation and misuse of Federal assets. We further recommend the Department use the actual cost of purchased equipment to record its value and reconcile the SFY 2009 inventory to the agency's accounting records.

Views of Responsible Official(s)

Contact Person: Tamela J. Gibson-Agahnia, William Meissner and Felesha Scanlan

Anticipated Completion Date: As noted below

Corrective Action Planned:

Condition 1A: Purchase order amounts are used for the initial entry into the asset record for assets obtained through the purchase order system. This is the only amount available when the asset arrives at the facility which is the time the tagging must take place. Once the paid claim report is received, the dollar values are compared and verified. The acquisition cost is adjusted to match the claim paid as required. This adjustment includes any applicable ancillary charges that affect the acquisition cost. With a great majority of the asset purchases going through the PCard system, the acquisition cost is available at time of arrival and is entered in the asset record when received. Previous response has been to note the use of a single system for purchasing, receiving, payment and asset management will be required to eliminate the manual verification process.

Condition 2A: The upgraded asset system will be fully functional and uploaded by FY-11. 85% of current assets have been loaded into the system and we are working with Accounting Services to identify the type of depreciation and the application of depreciation to implement within the system. The additional decisions regarding useful life and application of depreciation will be determined and will be functional in FY-11. No automatic default of 10% will be utilized after FY-10.

Condition 3A: Policy and training guidelines are now being finalized to enable full implementation beginning June 1, 2010. Processing of policy changes may take additional time, but will be consistent with the new system which is already being uploaded onto asset coordinator desktops to enable immediate and real time access to asset records on a statewide basis.

In addition response – reconciliation documents in draft form have been distributed to senior leadership and expect to have all documents signed no later than June 30, 2010. The position responsible for documentation of asset custodial activities has been vacant for more than 8 months, but was filled in December, 2009. We are currently making progress on all backlogged activities in this area. We are also creating a mandatory training component to accompany the change in rules for managers, contractors, asset coordinators and partners that will interact with assets managed through the OSDH.

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FINDING NO: 09-340-006

STATE AGENCY: Oklahoma State Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.069

FEDERAL PROGRAM NAME: Public Health Emergency Preparedness

FEDERAL AWARD NUMBER: 5U90TP616982-08/09

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$-0-

Criteria: The FY 2009 OMB Circular A-133 Compliance Supplement states, “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 is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).”

Condition: As stated in the above criteria, the Department is required for vendor contracts to either check the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), obtain a certification from the entity, or add a clause or condition to the contract with that entity to verify that the vendor was not suspended or debarred by the Federal government. During our testing of contracts, we noted that for one out of seven (14%) vendor contracts reviewed the Department did not perform the appropriate procedures to ensure the vendor was not suspended or debarred.

Cause: According to discussions with procurement personnel, the Department believed this procedure was being performed at the Department of Central Services. However, it is still the Department’s responsibility as the grant recipient to ensure that the vendor has not been suspended or debarred.

Effect: Covered transactions could be awarded to a vendor who has been suspended or debarred.

Recommendation: We recommend the Oklahoma State Department of Health implement procedures to ensure vendors in “covered transactions” have not been suspended or debarred by the Federal government, and train staff in the Procurement Division regarding the procurement related requirements in OMB Circular A-133.

Views of Responsible Official(s)

Contact Person: Greg Morley, Chief of Procurement

Anticipated Completion Date: July 31, 2010

Corrective Action Planned: With regard to the finding above, we have since checked the EPLS and confirmed the vendor in question is in fact not debarred. Beginning in April 2010 and continuing through July 2010, the agency will provide training to contract monitors and Procurement staff that will address the necessity to verify debarment status as well as other topics related to contracts. A product of the training will be implementation of a procedure for checking the EPLS and/or including a standard debarment clause in vendor and sub-recipient contracts. We will move to include a standard clause in our lease contracts that are processed by Department of Central Services as well.

Schedule of Findings Federal Award Findings And Questioned Costs

Health Care Authority

FINDING NO: 09-807-001 **Repeat Finding**
STATE AGENCY: Oklahoma Health Care Authority
FEDERAL AGENCY: U.S. Department of Health and Human Services
CFDA NO: 93.778
FEDERAL PROGRAM NAME: Medical Assistance Program
FEDERAL AWARD NUMBER: 50805OK5028 and 50905OK5028
FEDERAL AWARD YEAR: 2008 and 2009
CONTROL CATEGORY: Allowable Costs/Cost Principals
QUESTIONED COSTS: \$-0-

Criteria: The Oklahoma Health Care Authority contracts with Electronic Data Systems (EDS) for drug rebate support services. Per the contract agreement EDS should mail letters, late notices, and statements to drug labelers on behalf of the Health Care Authority.

According to 42 U.S.C. 1396r-8 (b) (2) (A), "State responsibility.—Each State under this title shall report to each manufacturer not later than 60 days after the end of each rebate period and in a form consistent with a standard reporting format established by the Secretary, information on the total number of units of each dosage form and strength and package size of each covered outpatient drug dispensed after December 31, 1990, for which payment was made under the plan during the period, and shall promptly transmit a copy of such report to the Secretary."

According to the EDS's contract with OHCA, Section 3.3.22 Drug Rebate Processing; "Oklahoma requires the MMIS to provide automated support to carry out the federal mandates related to drug rebate processing."

Also, according to EDS's Drug Rebate Procedures Manual, Section 8: Quarterly Invoice Cycle Technical Procedures, the Overview states, "The Drug Rebate Invoice Cycle is initiated on receipt of the CMS Quarterly Rate Tape. This tape contains information used to create drug rebate invoices on a quarterly basis as well as several reports. It is typically received from CMS within 45 days after the end of the previous quarter. After receipt of the CMS tape 15 days are allowed to create and send out drug rebate invoices."

Condition: Based on the procedures performed, it appears EDS mailed labeler invoices for the quarter ending March 31, 2009 sixty-three days after the quarter ended.

Cause: Based on the procedures performed, it appears invoices were mailed late due to issues with the receipt of data from EDS.

Effect: If invoices are mailed late, the labelers may not be given sufficient time to mail payments or disputes. OHCA is not receiving services that have been contracted and may not be collecting drug rebate payments in a timely and efficient manner.

Recommendation: We recommend that the Oklahoma Health Care Authority enforce the terms of their contract with EDS to include mailing any required letters within the timeframe set forth in the contract. We recommend EDS work with the Drug Rebate Division to resolve the system issues and ensure invoices are mailed within 60 days after the previous quarter has ended.

Views of Responsible Official(s)

Contact Person: Kelly Shropshire, CPA

Anticipated Completion Date: Immediately (Management Response Received on March 15, 2010)

Corrective Action Planned: OHCA concurs that the invoices were mailed out three days late. They were scheduled to be mailed on Friday, May 29th but were not mailed out until Monday, June 1st.

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Technical issues with assembling the envelopes and delivering to the mailroom caused the delay. In the future, OHCA will schedule the invoice preparation at time that best ensures the invoices are mailed timely.

FINDING NO: 09-807-002 **Repeat Finding**

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Service

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 050805OK5028, 050905OK5028, 0805OK5048, and 0905OK5048

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: \$-0-

Criteria: The Authority did not maintain effective fiscal controls over the draw preparation and draw request processes.

A basic objective of Generally Accepted Accounting Principles is to provide accurate and reliable information supported by documentation.

Per 2 CFR section 215.22 g:

“To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.”

The American Recovery and Reinvestment Act of 2009 Section 5001 (e) states in part:

“The increase in the FMAP for a State under this section shall apply for purposes of Title XIX [Medicaid] of the Social Security Act and shall not apply with respect to...
(3) payments under Title XXI [CHIP] of such Act (42 U.S.C. 1397aa et seq.)...”

Condition: Based on review of 53 program draws, 6 administrative draws and 16 American Recovery and Reinvestment Act (ARRA) draws, we noted 12 instances where draws were mathematically inaccurate, did not trace to supporting documentation or were drawn based on incorrect expenditure amounts.

- Four draws were mathematically inaccurate. Two Medicaid program draws and one administrative draw included non-Medicaid expenditures, and one draw for the Department of Human Services’ (DHS) expenditures was reduced rather than drawn.
- Two Medicaid program draws included Children’s Health Insurance Program (CHIP) expenditures and 4% of the rebates.
- One Medicaid program draw included CHIP expenditures which in turn caused an ARRA draw to be over-drawn.
- Four Medicaid draw calculations were based on expenditures from an incorrect report.

Cause: There is not adequate review of the draws prior to requesting funds.

Effect: The Authority is under/over drawing funds on a consistent basis, making mathematical errors, and not reducing the draw amount by all applicable deductions.

Recommendation: The Authority should strengthen overall accounting controls by ensuring that adequate supervisory reviews are in place and documented for all accounting functions.

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Views of Responsible Official(s)

Contact Person: Gloria Hudson-Hinkel

Anticipated Completion Date: June 30, 2010

Corrective Action Planned: OHCA concurs with bullets 1, 2 and 3 and will make the corrections.

Regarding bullet #4: These were due to system errors which were immediately corrected prior to the audit with zero dollar impact due to the CMS-64 reconciliation.

Auditor Response: In response to bullet #4, this item was corrected after SAI brought it to their attention, after the end of the Fiscal Year 2009.

FINDING NO: 09-807-004

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 0905OK5048 and 050905OK5028

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: Item 20.1 of the OSF GAAP Conversion Manual states in part:

“...Only include spending from ARRA funds under this CFDA number. Complete a separate grant line for all other non-ARRA activity for the same CFDA number. Agencies that received regular grant funds and ARRA funds for the same CFDA# should report 2 lines for each CFDA #.”

Condition: Based on procedures performed, it appears the non-ARRA Schedule of Expenditures of Federal Awards (SEFA) line item for CFDA# 93.778 included ARRA funds. Therefore ARRA funds were correctly reported once in the ARRA line item and once in the non-ARRA line item. It also appears there was no evidence of review by someone other than the preparer.

Cause: ARRA funding was a new revenue source. ARRA funds were not backed out of Total Federal Expenditures. This appears to be due to human error.

Effect: The Authority inaccurately reported the Total Federal Expenditures on the SEFA.

Recommendation: The Authority should strengthen overall accounting controls by ensuring that adequate reviews, by someone other than the preparer, are in place and documented for all accounting functions. The Authority should also ensure that ARRA funds are appropriately accounted for.

Views of Responsible Official(s)

Contact Person: Gloria Hudson-Hinkel

Anticipated Completion Date: Completed

Corrective Action Planned: OHCA concurs with the finding. ARRA funds are now being appropriately accounted for.

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FINDING NO: 09-807-010

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 50805OK5028, 50905OK2058

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Special Tests and Provisions – Inpatient Hospital and Long Term Care Facility Audits

QUESTIONED COSTS: \$-0-

Criteria: The Oklahoma Health Care Authority State Plan, Attachment 4.19-D states in part:

“**A.1.e. Audits of Cost Reports.** ...In addition, a sample number of cost reports will be audited independently by an auditor retained by OHCA.”

In addition, Article IV. SCOPE OF WORK, 4.0 of the contract between OHCA and the contracted auditor states, “On an annual basis, Contractor agrees to complete a comprehensive audit of preceding state fiscal year (SFY) cost reports for the facility type and quantity listed below:

- a) 40 Nursing Facilities,
- b) 5 Intermediate Care Facilities for the Mentally Retarded (ICFs/MR), and
- c) 7 Acute ICFs/MR.

Condition: Based on review of the spreadsheet maintained by OHCA and review of the audit reports, it appears the contracted auditor only performed 37 Nursing Facility and 2 ICFs/MR audits for SFY 2009 on cost reports submitted for SFY 2008. The required number of acute ICFs/MR audits were performed.

Cause: The regular ICFs/MR facilities have been closing and/or converting to Acute Care (16 bed or less) so OHCA decided to have the contracted auditor look at ICFs/MR in total and reduced the amount of regular facilities audited. However, a change order to the contract was not initiated and OHCA was unable to provide any written documentation for the change in the number of audits stated in the contract.

Effect: The contracted auditor is not in compliance with his contract with OHCA.

Recommendation: We recommend the Authority update the contract as needed and retain all supporting documentation related to the transaction.

Views of Responsible Official(s)

Contact Person: David Branson

Anticipated Completion Date: July 1, 2010

Corrective Action Planned: OHCA concurs the language in the contract needs to be amended.

- Mr. Fine is paid for each audit as it is performed so we did not reimburse for any audits not performed.
- The audits performed were an adequate sample in that they covered a like percentage of homes given the fact that the number of homes is decreasing each year.
- Mr. Fine’s contract will be amended to either give a range of audits or some other language that gives some leeway in the number of audits without affecting the integrity of the data-I have talked to both contracts and to Mr. Fine and they both know the change is coming.

Lastly, we did not use the adjustments to establish the rates only to make budget projections of allowable costs. We only use the audit numbers when establishing a new base rate.

Schedule of Findings Federal Award Findings And Questioned Costs

FINDING NO: 09-807-011 **Repeat Finding**
STATE AGENCY: Oklahoma Health Care Authority
FEDERAL AGENCY: U.S. Department of Health and Human Services
CFDA NO: 93.767
FEDERAL PROGRAM NAME: Children's Health Insurance Program
FEDERAL AWARD NUMBER: 0805OK5021, 0905OK5021
FEDERAL AWARD YEAR: 2008-2009
CONTROL CATEGORY: Activities Allowed or Unallowed
QUESTIONED COSTS: \$472

Criteria: According to OMB A-133, Compliance Supplement (March 2009): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to 317:30-5-3. Documentation of services, "Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered...."

Under the authority of Title 42 CFR §431.107(b), providers agree to "(1) Keep any records necessary to disclose the extent of services the provider furnishes to recipients; (2) On request, furnish to the Medicaid agency, the Secretary, or the State Medicaid fraud control unit..., any information maintained under paragraph (b)(1) of this section and any information regarding payments claimed by the provider for furnishing services under the plan..."

Condition: Based on a medical professional's review of One Hundred (100) claims containing 191 services provided to Children's Health Insurance Program recipients, we noted:

- One claim (including one (1) service) was not received from the service provider. (\$5.28)
- Nine claims (including ten (10) services) where the services provided were not supported by adequate documentation. (\$414.63)
- Two claims (including two (2) services) where the medical records support a procedure code different than the code billed by the provider (\$52.46).

Effect: The Authority may be paying for services that are not being performed or are improperly coded based on the recipient's medical diagnosis.

Recommendation: We recommend the Authority investigate the items identified, and if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Susan Crooke, CFE

Anticipated Completion Date: 06/30/2010

Corrective Action Planned: OHCA will investigate and recover any necessary funds.

FINDING NO: 09-807-012 **Repeat Finding**
STATE AGENCY: Oklahoma Health care authority
FEDERAL AGENCY: U.S. Department of Health and Human Services
CFDA NO: 93.778
FEDERAL PROGRAM NAME: Medical Assistance Program
FEDERAL AWARD NUMBER: 50805OK5028 and 50905OK5028
FEDERAL AWARD YEAR: 2008 and 2009
CONTROL CATEGORY: Activities Allowed or Unallowed
QUESTIONED COSTS: \$853

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Criteria: According to OMB A-133, Compliance Supplement (March 2009): To be allowable, Medicaid costs for medical services must be: (1) covered by the State plan and waivers; (2) for an allowable service rendered (including supported by medical records or other evidence indicating that the service was actually provided and consistent with the medical diagnosis); (3) properly coded; and (4) paid at the rate allowed by the State plan.

According to 317:30-5-3. Documentation of services, "Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered...."

Under the authority of CFR Title 42 §431.107(b), providers agree to "(1) Keep any records necessary to disclose the extent of services the provider furnishes to recipients; and (2) On request, furnish to the Medicaid agency, the Secretary, or the State Medicaid fraud control unit..., any information maintained under paragraph (b)(1) of this section and any information regarding payments claimed by the provider for furnishing services under the plan..."

Condition: Based on a medical professional's review of 100 claims containing 204 services provided to Medicaid recipients, we noted:

- One claim (including one service) was not received from the service provider. (\$7.90)
- Ten claims (including fifteen services) where the services provided were not supported by adequate documentation. (\$782.26)
- Three claims (including three services) where the medical records support a procedure code different than the code billed by the provider. (\$62.37)

Effect: The Authority may be paying for services that are not being performed or are improperly coded based on the recipient's medical diagnosis.

Recommendation: We recommend the Authority investigate the items identified and, if considered necessary, recoup any funds paid to providers for services that were not supported by medical records.

Views of Responsible Official(s)

Contact Person: Susan Crooke, CFE

Anticipated Completion Date: 06/30/2010

Corrective Action Planned: OHCA will investigate and recover any necessary funds.

Department of Human Services

FINDING NO: 09-830-001

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$2,239

Criteria: DHS Policy 340:10-20-1(c) states, "The applicant(s) completes Form FSS-1, Comprehensive Application and Review, which states the applicant(s) agrees to not apply for TANF for one year from the date of application for DA."

Schedule of Findings Federal Award Findings And Questioned Costs

DHS Policy Instructions to Staff 340:10-20-1-10 states, "The county director can approve Temporary Assistance for Needy Families (TANF) if there is an unforeseen circumstance that requires the family to apply. This approval is only used after the three-month time period covered by DA benefit. The approval by the county director must be documented in Family Assistance/Client Services (FACS) case notes. Receipt of TANF during this three-month period is a duplication of benefits.

Condition: During our testing of cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits during SFY 2009, we noted the following:

- Three of the eight cases received TANF benefits in the same month or within three months of receiving Diversion assistance benefits. (Questioned Costs \$1,237)
- Two of the eight cases tested did not contain documentation in Family Assistance/Client Services (FACS) case notes of an approval by the county director certifying TANF benefits within one year of receiving Diversion Assistance benefits. (Questioned Costs \$1,002)

Cause: The Department does not have mechanisms in place to ensure the client does not receive TANF within three months of receiving Diversion Assistance or to ensure county director approval is obtained and documented for clients receiving TANF within one year of receiving Diversion Assistance.

Effect: The Department may not be in compliance with the above stated policies, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department implement system edits to ensure the client does not receive TANF within three months of receiving Diversion Assistance and county director approvals are obtained and documented for clients receiving TANF within one year of receiving Diversion Assistance.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: February 2010

Corrective Action Planned: We concur with the audit findings on the five cases listed. We have requested the counties involved to process overpayments on all five cases. I have asked our FSSD Application Development and Operation Section to request programming for an edit to not allow certification of Diversion Assistance and TANF benefits for the same month. I received confirmation today, 9-24-09, that they would send the request for programming to DSD with a requested completion date of February 2010.

FINDING NO: 09-830-005

STATE AGENCY: Oklahoma Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.659

FEDERAL PROGRAM NAME: Adoption Assistance

FEDERAL AWARD NUMBER: 0801OK1407 and 0901OK1407

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$44,386

Criteria: According to 42 USC § 673(a) (4) (A) "No payment may be made to parents with respect to any child who has attained the age of eighteen (or, where the State determines that the child has a mental or physical handicap which warrants the continuation of assistance, the age of twenty-one)."

Condition: During our testing of IV-E Adoption Assistance cases, we noted that in sixteen of the twenty-one cases tested, the parents received assistance after the child attained the age of 18 and documentation was not provided which indicated the child had a mental or physical handicap that warranted the

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continuation of assistance to the age of 21. The documentation provided to support the continuation of benefits after the child had attained the age of 18 only demonstrated the child was still enrolled in school which is not an allowable reason for the continuation of benefits for the IV-E Adoption Assistance program.

Cause: It appears the cases were not monitored to ensure IV-E assistance was terminated when the child became ineligible.

Effect: The Department may be providing benefits to ineligible recipients.

Recommendation: We recommend the Department implement procedures to ensure no individual that attains the age of 18 receives IV-E Adoption Assistance benefits unless there is a documented mental or physical handicap.

Views of Responsible Official(s)

Contact Person: Kevin Haddock, Finance Manager/Comptroller II/OKDHS Child and Family Services

Anticipated Completion Date: September 30th 2010

Corrective Action Planned: Concur. We are taking steps to reimburse the unallowable expenditures and stop any further payments on the sixteen identified children. We are also taking steps to implement a review process, which is the deficiency, to ensure that at points where the child could become ineligible for IV-E payments that we do a determination of continued eligibility. A process will be in place by June 30th 2010 to address the determination process. CFSD is also going to audit all children in Adoption Assistance over the age of 18 to ensure proper claiming. This will be completed after the federal ACF IV-E eligibility review.

FINDING NO: 09-830-006

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.561

FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 2009IS251446

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed and Unallowed/Allowable Costs/Cost Principles

Criteria: The Code of Federal Regulations title 7 part 277 Appendix A subpart(b)states “The State agency assumes the responsibility for seeing that Food Stamp Program funds have been expended and accounted for consistent with underlying agreements and program objectives.

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states:

The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....

OKDHS Oklahoma Administrative Code 340:2-11-91 states, “Oklahoma Department of Human Services (OKDHS), Finance Division pre-audits and prepares for payment all claims paid from administrative funds.”

Condition: During our testing of SNAP administrative claims paid during SFY 2009, we noted payments to two different vendors for the same invoice. One payment was issued in error to an incorrect vendor, who deposited the funds into their banking institution, and then a second payment was issued to the correct

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vendor for the same invoice under a separate claim number. The overpayment to the incorrect vendor was eventually recouped by the Department.

Cause: The OKDHS Finance Division has a Claims Audit Unit who performs audits of claims to verify items such as payee, amount, date, vendor federal identification number, etc. are correct before the claim is released for payment to the vendor. The Claims Audit Unit is the Department's mechanism to ensure each claim is paid correctly. Due to a breakdown of the internal controls present, the claims auditor allowed the payment to the incorrect vendor and the correct vendor to be paid.

Effect: The Department may not be in compliance with the above stated policies, procedures, or regulations which may result in overpayment to vendors.

Recommendation: Due to the claim having already been recouped, we recommend the Department perform additional training to ensure each claims auditor is proficient in the procedures, policies, and regulations to prevent future overpayments.

Views of Responsible Official(s)

Contact Person: Chris Bottoms, Finance Manager

Anticipated Completion Date: December 2010

Corrective Action Planned: Concur. OKDHS Finance will perform additional training to ensure that each claims auditor is proficient in the procedures, policies, and regulations to prevent future overpayments.

FINDING NO: 09-830-007

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551

FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 008015409S6008

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions - Issuance Document Security

QUESTIONED COSTS: \$0

Criteria: Code of Federal Regulations title 7 part 274 section .7 subpart (b) states, "State Agencies shall establish control and security procedures to safeguard coupons that are similar to those used to protect currency. The state agencies, as well as all persons or organizations acting on their behalf shall safeguard coupons from theft, embezzlement, loss, damage, or destruction; and avoid unauthorized transfer, negotiation, or use of coupons."

Condition: During interviews with management regarding the procedures for issuance document security we noted a lack of segregation of duties for all offices that receive lost activated EBT cards. This segregation of duties deficiency is due to only one person receiving the active cards for destruction. At the OKDHS EBT Office, as well as the county offices, the same employee receives the mail, logs the cards, and destroys the cards. This control deficiency provides an opportunity for the employee receiving, logging, and destroying the cards to take the returned activated cards and use them for personal gain.

Cause: The OKDHS EBT Office and County Offices do not have proper safeguards to prevent theft, embezzlement, or unauthorized negotiation or use of benefits on active cards returned to either the EBT or County Office(s).

Effect: The OKDHS EBT Office and County Offices may not be in compliance with the above stated regulations and policies, which may result in theft, embezzlement, or unauthorized negation or use of benefits by an employee of either the EBT or County Office(s).

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Recommendation: We recommend the OKDHS EBT Office and County Offices require that the destruction process involves two employees. This should start with the two employees being present when the cards are received, both employees signing the log that records the destruction and both employees being present when the cards are destroyed. If the card(s) are not destroyed immediately they should be secured in a dual control box, which requires two keys to open.

Views of Responsible Official(s)

Contact Person: Lisa Henley, Director of Electronic Payment System

Anticipated Completion Date: Immediately.

Corrective Action Planned: The OKDHS EBT Office will implement the following procedures.

- (1) Upon receipt of cards in the mail, two staff members (one of which is supervisory personnel) will make a count of the cards received.
- (2) One staffer will log all cards and status as “lost” if any is received as “active”.
- (3) The log and cards will be provided to the supervisor for audit purposes to ensure cards are logged and deactivated if they were received as active.
- (4) The two staff members will conduct the destruction of the cards received and each sign the log confirming the count, status change (if active) and destruction.
- (5) Cards are to be destroyed immediately upon receipt by mail and not stored. Backup personnel will be designate in case of absence of regularly assigned individuals.
- (6) OKDHS EBT will add the procedures listed (1-5) to the EBT Specialist Guide provided to each county office.

FINDING NO: 09-830-008

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Test and Provisions – Penalty for Refusal to Work

QUESTIONED COSTS: \$0

Criteria: 45 CFR 261.14 (a) states, “If an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. Such a reduction is governed by the provisions of § 261.16.

DHS Policy 340:10-2-2(c) states, “The individual must be contacted to determine good cause. If it is determined at this contact that good cause does exist, the worker assists the individual with either updating the employability plan or helping the individual resume the activity as soon as possible. If it is determined there is not good cause for failure to participate or no contact was completed, the worker closes or denies the cash assistance.

DHS Policy Instructions to Staff 340:10-2-2 #3 states, “The Family Assistance/Client Services (FACS) case notes must clearly document the worker’s efforts to contact the person. The preferred contact is a face-to-face interview or discussion over the phone; however, the worker may use Form 08AD092E, Client Contact and Information Request, to contact the person.”

DHS Policy Instructions to Staff 340:10-2-2 #5 states in part, “FACS case notes must clearly document that a refusal or failure to participate is without good cause.”

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Condition: From a sample of 45 cases that had been closed with closure code 52A (TANF Work Sanction), we noted three cases that were closed with no documentation of the efforts to contact the individual and no documentation of the individual's refusal or failure to participate without good cause.

Cause: The TANF Work Sanction process documentation is not adequately maintained.

Effect: The State may be imposing penalties on individuals that are exempt from TANF work requirements due to good cause.

Recommendation: We recommend the Department follow policy to ensure documentation of case worker's efforts to contact the individuals and documentation of the individual's refusal or failure to participate without good cause is maintained.

Views of Responsible Official(s)

Contact Person: Linda Hughes

Anticipated Completion Date: December 1, 2009

Corrective Action Planned: The county director, field liaison, county supervisor and worker have been advised of the finding by email memo dated October 31, 2010. They were asked to review policy and procedures regarding determining and documenting whether clients have good cause for failing to meet work participation requirements prior to closing of the TANF case. Each county involved was asked to do back to basic training on this subject to all staff working with TANF cases before December 1, 2009.

FINDING NO: 09-830-009

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658

FEDERAL PROGRAM NAME: Foster Care – Title IV-E

FEDERAL AWARD NUMBER: 0801OK1407 and 0901OK1407

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$3,822

Criteria: 45 CFR 233.90 (b) (3) states, "A state may elect to include in its AFDC program children age 18 who are full-time students in a secondary school, or in the equivalent level of vocational or technical training, and who may reasonably be expected to complete the program before reaching age 19."

Condition: We analyzed the Department's records and determined there were 52 IV-E Foster Care recipients over the age of 18 receiving benefits during SFY09. We tested 26 of those cases and noted the following:

- 4 case files did not contain the Voluntary Placement Request signed by the youth or other documentation verifying the youth was attending school and expected to graduate before reaching the age of 19. (Questioned Costs \$3,324)
- In addition to the 26 case files tested, 1 IV-E recipient was 19 years of age and older when they received benefits. (Questioned Costs \$498)

Cause: The Department did not ensure the IV-E Foster Care recipients had not exceeded the age limitation without adequately documenting they were full-time students in a secondary school, or in the equivalent level of vocational or technical training, and who may reasonably be expected to complete the program before reaching age 19.

Effect: The Department may be providing benefits to ineligible IV-E recipients.

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Recommendation: We recommend the Department ensure recipients 18 years old or older do not receive IV-E Foster Care benefits unless the child is expected to graduate from a secondary educational institution before his or her 19th birthday.

Views of Responsible Official(s)

Contact Person: Kevin Haddock, Finance Manager/Comptroller II/OKDHS Child and Family Services

Anticipated Completion Date: 6/30/2010

Corrective Action Planned: Concur. We will resolve these by 6/30/2010 and take appropriate action.

FINDING NO: 09-830-010

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: 45CFR265.4 (a) states in part "Each State must file the TANF Data Report and the TANF Financial Report within 45 days following the end of the quarter or be subject to a penalty.

Condition: The four quarterly TANF Data Reports (ACF-199 Reports) were not filed within 45 days of the end of the quarter.

Reporting Quarter	Due Date	Date Filed
07/01/08 – 09/30/08	11/15/08	07/29/09
10/01/08 – 12/31/08	02/15/09	08/29/09
01/01/09 – 03/31/09	05/15/09	09/21/09
04/01/09 – 06/30/09	08/15/09	09/28/09

Cause: Based on discussion with personnel preparing the ACF-199 report, there were coding changes that delayed the filing of the reports.

Effect: The Department is not in compliance with 45CFR265.4 (a).

Recommendation: We recommend the Department design and implement procedures to ensure that the ACF-199 Data Report is filed in a timely manner.

Views of Responsible Official(s)

Contact Person: James Conway, OKDHS FSSD

Anticipated Completion Date: March 31, 2010

Corrective Action Planned: OKDHS will continue to work to get the initial ACF-199 submissions made in accordance with the ACF schedule. OKDHS was working during this period to modify FFY2008 reports based on federal changes and new policy interpretations. Subsequent transmissions were held while the report code was being modified and tested, this was done in coordination with the responsible individuals at ACF which ultimately resulted in the Oklahoma reports being accepted as effective and accurate prior to final deadlines. It is the goal of FSSD to continue this accurate reporting on a more timely basis for FFY2009 forward.

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FINDING NO: 09-830-011
STATE AGENCY: Department of Human Services
FEDERAL AGENCY: Department of Agriculture
CFDA NO: 10.551
FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program
FEDERAL AWARD NUMBER: 008015409S6008
FEDERAL AWARD YEAR: 2009
CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: 7CFR 273.18(b) states, “There are three types of claims: (1) Intentional Program violation (IPV) claim is any claim for an overpayment or trafficking resulting from an individual committing an IPV. An IPV is defined in Sec.273.16. (2) Inadvertent household error (IHE) claim is any claim for an overpayment resulting from a misunderstanding or unintended error on the part of the household. (3) Agency error (AE) claim is any claim for an overpayment caused by an action or failure to take action by the State agency. The only exception is an overpayment caused by a household transacting an untampered expired Authorization to Participate (ATP) card.”

7CFR 273.18(g)(1)(iii) states “For an IHE or AE claim, limit the amount reduced to the greater of \$10 per month or 10 percent of the household’s monthly allotment unless the household agrees to a higher amount.”

7CFR3015.21(b) states, “If any litigation, claim, negotiation, audit or other action involving the records has been started before the end of the 3-year period, the records shall be kept until all issues are resolved, or until the end of the regular 3-year period, whichever is later.”

Condition: During our testing of 45 payment collections included on the 9/30/08 and 12/31/08 FNS-209 reports, we noted the following:

- The case associated with one collection had a voluntary payment amount that was less than the \$10.00 or 10% minimum required;
- The case associated with one collection was coded incorrectly based on the supporting documentation;
- The case associated with one collection could not be located.

Cause: The OKDHS Benefit Integrity and Recovery Unit is responsible for all overpayment claims for the SNAP program. This responsibility includes ensuring the overpayment amounts and classification types are correct. The exceptions noted in the testwork of the FNS-209 consisted of case errors that should have been caught in the review of the overpayment documentation.

Effect: The Department may not be in compliance with the above stated policies, procedures, or regulations which may result in incorrect and/or untimely repayments to OKDHS.

Recommendation: We recommend that the OKDHS Benefit Integrity and Recovery Unit implement procedures to ensure that each overpayment case reflects the overpayment agreement stipulations and that those stipulations are in accordance with policies, procedures, and regulations. Additionally, we recommend that each file is maintained by either scan or hard copy until all issues have been satisfied.

Views of Responsible Official(s)

Contact Person: Linda Jones, Program Manager

Anticipated Completion Date: 2-26-2010

Corrective Action Planned: Non-located case - we concur. This specific claim is an older claim and would have been included in the initial imaging process. BIRS and the Imaging Center staff have

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worked together and controls are now in place to prevent lost cases by scanning claim records immediately.

Incorrect classification – we concur. The correct classification of fraud was originally entered for this claim but was mistakenly changed. The correct status of “fraud” can be verified based on notices sent to the client indicating willful intent. BIRS has updated the system and the recoupment process to show the correct classification and the recoupment is now correct.

Incorrect recoupment amount – we concur based on system failure. The system failed to identify the correct recoupment coding resulting in recoupment of a lesser amount. BIRS is currently in the process of developing a new computer system for all claims, which will include a new process for recoupment of SNAP benefits, which will resolve this problem. Recoupment has been corrected on this overpayment claim and the correct amount is now being recouped

FINDING NO: 09-830-012

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551

FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 008015409S6008

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – EBT Reconciliation

QUESTIONED COSTS: \$0

Criteria: According to 7 CFR Part 274.12(j)(1) Reconciliation, “Reconciliations shall be conducted and records kept as follows: (i) Reconciliation of benefits posted to household accounts on the central computer against benefits on the Issuance Authorization File; (ii) Reconciliation of individual household account balances against account activities on a daily basis; (iii) Reconciliation of each individual retail store's food stamp transactions per POS terminal and in total to deposits on a daily basis;(iv) Verification of retailer's credits against deposit information entered into the ACH network;(v) Reconciliation of total funds entered into, exiting from, and remaining in the system each day; (vi) Maintenance of audit trails that document the full cycle of issuance from benefit allotment posting to the State issuance authorization file through posting to point-of-sale transactions at retailers through settlement of retailer credits.”

Additionally, the OMB-A-133 Compliance Supplement states, “States that use EBT must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State’s benefit account with Treasury and EBT contractor records. This includes a reconciliation of the State’s issuance files of postings to recipient accounts with the EBT contractor. States (generally through the EBT contractor that operates the EBT system) must also have systems in place to reconcile retailer credit activity as reported into the banking system to client transactions maintained by the processor and to the funds drawn down from the EBT benefit account with Treasury. States’ EBT system processors should maintain audit trails that document the cycle of client transactions from posting to point-of-sale transactions at retailers through settlement of retailer credits. The financial and management data that comes from the EBT processor is reconciled by the State to the SNAP issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down.”

Condition: During our testing of the daily reconciliation process, we noted that the reconciliation for total SNAP issuances involves a daily comparison of the System Accounting Report from the EBT contractor’s EPPIC system and the Food Stamp Balancing by Date screen, (EBTHDDT1) on the Department’s DSD Mainframe. Based on discussion with DSD personnel, we noted that the Food Stamp Balancing by Date screen (EBTHDDT1) is being populated with data provided daily by the EBT contractor. Therefore, the reconciliation being performed compares EBT contractor information through the EPPIC System

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Accounting Report to EBT contractor information through the DSD Mainframe and is not considered a valid reconciliation comparing the State's SNAP issuance files to those of the EBT contractor.

Cause: While the OKDHS Finance Division has been performing a daily reconciliation of the total issuance of SNAP benefits by comparing the EPPIC report to the DSD Mainframe report, they were unaware that the information being used to populate the DSD Mainframe screens was being provided to DSD by the EBT contractor rather than coming from OKDHS issuance records.

Effect: The Department may not be in compliance with the above stated requirements.

Recommendation: We recommend that a request be submitted to DSD for the creation of a daily reconciliation job to identify any variances between the EBT vendor's issuance file and the DHS SNAP issuance file. Once this reconciliation job is created, it should be utilized in the daily reconciliation process.

Views of Responsible Official(s)

Contact Person: Treba Dennis, Finance Administrator

Anticipated Completion Date: June 30, 2010

Corrective Action Planned: We concur. A request has been submitted to DSD for the creation of a daily reconciliation report to identify variances between the EBT vendor's issuance file and the DHS SNAP issuance file. Once the daily reconciliation report is available it will be incorporated into our SNAP daily reconciliation process.

FINDING NO: 09-830-013

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services; Department of Agriculture

CFDA NO: 10.561, 93.558, 93.563, 93.568, 93.658, 93.659, 93.667, 93.575, 93.596

FEDERAL PROGRAM NAME: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Child Support Enforcement, Low Income Home Energy Assistance Program, IV-E Foster Care, Adoption Assistance, Social Services Block Grant, Child Care and Development Block Grant, and Child Care Mandatory and Matching Funds of the Child Care and Development Fund

FEDERAL AWARD NUMBER: Various

FEDERAL AWARD YEAR: Various

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

QUESTIONED COSTS: \$0

Criteria: Office of Management and Budget (OMB) Circular A-87 Attachment B, Section 23.b (4) states, "For debt arrangements over \$1 million, unless the governmental unit makes an initial equity contribution to the asset purchase of 25 percent or more, the governmental unit shall reduce claims for interest cost by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-Federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (i.e., usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest cost. The rate of interest to be used to compute earnings on excess cash flows shall be the three-month Treasury bill closing rate as of the last business day of that month."

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Department of Human Services, Cost Allocation Plan (March 2008) Section 7.D. Interest on State/Department Owned Building states, "...In compliance with A-87, Attachment B, Section 23.b. (4), DHS shall prepare cumulative reports, describing each building exceeding \$1,000,000 in costs, if any."

Condition: During testing of capital lease expenditures, we were unable to determine that the entire amount of the interest expense associated with the capital lease bond indebtedness was allowable.

Cause: The above noted cumulative report of monthly cash flows was not prepared by the Department.

Effect: The Department is not in compliance with A-87 Attachment B, Section 23.b (4). Additionally, without preparing the cumulative report of monthly cash flows described above, the Department is unable to ensure that the entire interest expense associated with the bond indebtedness is actually an allowable expense.

Recommendation: We recommend the Department implement procedures to ensure that the cumulative report of monthly cash flows is prepared in order to determine the allowable amount of the interest expense associated with the bond indebtedness.

Views of Responsible Official(s)

Contact Person: Deena Brown, Finance Administrator

Anticipated Completion Date: 4/30/10

Corrective Action Planned: Concur. We are currently working with our Information systems unit to develop this annual report. We are nearing completion of the project which will allow us to produce the report each year as required.

FINDING NO: 09-830-014

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.561

FEDERAL PROGRAM NAME: State Administrative Matching Grants for SNAP

FEDERAL AWARD NUMBER: 2009IS251446

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Cash Management/Matching/Reporting

QUESTIONED COSTS: \$123,499

Criteria: 7CFR 235.7 states: "Each State agency shall submit to FNS a quarterly Financial Status Report (SF-269) on the use of State administrative expense funds provided for each fiscal year under this part...."

7CFR 277.4(b) states: "Federal reimbursement rate. The base percentage for Federal payment shall be 50 percent of State agencies' allowable Food Stamp Program administrative costs..."

31CFR 205.11 states: "(a)A state and a Federal Program Agency must minimize the time elapsing between the transfer of funds from the United States Treasury and the State's payout of funds for Federal assistance program purposes, whether the transfer occurs before or after the payout of funds. (b)A state and Federal Program Agency must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs."

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states:

The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and

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the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....

The State of Oklahoma Administrative Plan states, "A component objective of an adequate internal control system is to provide accurate and reliable information."

Condition: During our testing of the FY09 SNAP Financial Status Report (SF-269) for the quarters ending 12/31/08 and 3/31/09, we noted the following:

- Total outlays reported for the two quarters selected did not trace to supporting agency documentation.
- Inaccurate expenditure calculations, which led to the inaccurate reporting, also led to federal funds being overdrawn by \$123,499 for the time period tested.
- Due to the inaccuracies in the expenditure amounts reported and drawn, we were unable to determine the state matching amounts were being monitored to ensure the state match was met.

Cause: It appears the Nutrition Education expenditure amounts were calculated incorrectly which led to the inaccurate reporting.

Effect: The Department is not in compliance with the above stated policies, procedures, or regulations which has resulted in inaccurate reporting and improper drawing of federal funds.

Recommendation: We recommend that personnel responsible for SNAP SF-269 reporting attend training to better understand the requirements. Additionally, we recommend the SF-269 financial reports and support documentation be reviewed by someone other than the preparer prior to submission to FNS. Also, we recommend the SF-269 reports that were found to be in error be revised and filed with FNS as soon as possible.

Views of Responsible Official(s)

Contact Person: Deena Brown, OKDHS CARE Finance Administrator

Anticipated Completion Date: Revised SF 269 submission by March 31, 2010, all other by January 31, 2011.

Corrective Action Planned: Expenditure reports are being revised and will be re-submitted to FNS. Supervisor will verify the support documentation is accurate and that expenditure reports are reviewed before submission. Supervisor will provide opportunities for the person responsible to enhance their knowledge and skills in this area over the next

FINDING NO: 09-830-015

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services; Department of Agriculture

CFDA NO: 10.561, 93.558, 93.563, 93.568, 93.658, 93.659, 93.667

FEDERAL PROGRAM NAME: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Child Support Enforcement, Low Income Home Energy Assistance Program, IV-E Foster Care, Adoption Assistance and Social Services Block Grant

FEDERAL AWARD NUMBER: Various

FEDERAL AWARD YEAR: 2008, 2009

CONTROL CATEGORY: Cash Management

Criteria: Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states:

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The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....

Condition: During our testing of Cash Management, we selected 59 non-EBT draws from the Adoption Assistance, IV-E Foster Care, TANF, Child Support Enforcement, Social Services Block Grant, LIHEAP and SNAP programs. We noted there is not a process in place to review the draw calculations and methodology before the non-EBT draws are made. It appears that each of the program accountants for the above noted programs have the ability to both prepare the draw calculations and make the draws without a review of the calculations being performed to ensure draw accuracy.

Cause: The draw duties were reassigned and the Finance Administrator no longer reviews the draw documentation before draws are made.

Effect: Inaccurate draws could be made without being detected.

Recommendation: We recommend a review process be implemented to ensure that each non-EBT draw is reviewed for reasonableness and accuracy before the drawdown of funds is made.

Views of Responsible Official(s)

Contact Person: Deena Brown, Finance Administrator

Anticipated Completion Date: 01/01/2010

Corrective Action Planned: Concur. Each non-EBT draw will be reviewed by a program accountant other than the accountant making the draw calculation. The review will be for reasonableness and accuracy of the draw. The accountant will sign and date the draw backup and at which time the draw will be ready for the request of funds.

FINDING NO: 09-830-016

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.767 / 93.778

FEDERAL PROGRAM NAME: Children's Health Insurance Program (CHIP), Medicaid Assistance Program (MAP)

FEDERAL AWARD NUMBER: 0805OK5021, 0905OK5021, 50805OK5028, and 50905OK5028

FEDERAL AWARD YEAR: 2008 / 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$3,224 (CHIP); \$16,376 (MAP)

Criteria: 42 CFR 435.907(a) states: "The agency must require a written application from the applicant, an authorized representative, or, if the applicant is incompetent or incapacitated, someone acting responsibly for the applicant."

Additionally, 42 CFR 435.913(a) states: "The agency must include in each applicant's case record facts to support the agency's decision on his application."

Also, 42 CFR 435.916(a) states: "The agency must redetermine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months..."

OAC 340:65-1-3 states, "...The case record is the means used by the Agency to document the factual basis for decisions."

OAC 340:65-1-3 Instructions to Staff state, "(a) Definition to Family Support Services Division (FSSD) official case records. The case record is an accumulation of material required to document a client's

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eligibility for and receipt of assistance. The case record includes information in the county office, working and history records, as well as all electronically maintained data. The Agency retains these records for legal requirements and audit purposes.

Condition: During testwork of 130 recipient case files (65 MAP and 65 CHIP), we noted the following instances of noncompliance:

- For 14 of the 130 recipient case files selected, the case file was provided; however, the determinations covering SFY09 were not found in the case file. (Questioned Costs \$14,541)
- For 3 of the 130 recipient case files selected for testing, we were unable to obtain the case file supporting the eligibility determination. (Questioned Costs \$1,252)
- For 1 of the 130 recipient case files selected the redetermination was not performed in a timely manner based on information found in the case file. It was performed at 15 months instead of 12 months (Questioned costs \$3,807)

Cause: The documentation required to document program eligibility has either not been obtained from the recipient or has not been adequately maintained in the recipient case file.

Effect: Recipients receiving Medical Assistance and CHIP benefits may not be eligible.

Recommendation: We recommend the Department review established procedures to ensure they are adequate to facilitate compliance with regulations requiring written applications to document that individuals meet the financial and categorical requirements for the Medical Assistance Programs.

Views of Responsible Official(s)

Contact Person: Karen Hylton, Program Manager

Anticipated Completion Date: 3/17/2010

Corrective Action Planned: Concur. On the cases where either the case or application/review has been lost, we have discussed this with the county office and emphasized the importance of having the proper documentation in the case file.

FINDING NO: 09-830-017

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.551

FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 008015409S6008

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions - Document Issuance Security

QUESTIONED COSTS: \$0

Criteria: 7 CFR 274.4 (a)(1)(i) states, "State Agencies shall reconcile their issuances daily using daily tally sheets, cashiers' daily reports, tapes or printouts. In reconciliation systems where a record-for-issuance is used, all issuances authorized for the month shall be compared with the master issuance file."

DHS Policy Instructions to Staff 340:50-10-5-4 states, "The Daily Card Count Forms, 10EB001E, are kept for audit and review purposes for a period of three years."

Condition: During interviews with the EBT specialist in the Tulsa County office (72B), we noted that the daily reconciliation of EBT cards was not being performed properly. The reconciliation for EBT cards is not performed on a daily basis. The tally of cards is maintained on a box lid and transferred into a monthly total spreadsheet created for the county director. There is no formal daily reconciliation of the cards to that of the master issuance file reconciliation to ensure that all cards assigned to the EBT specialist in charge of printing the EBT cards are accounted for.

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Cause: The Tulsa County (72B) office does not properly perform daily reconciliations of EBT cards.

Effect: The Tulsa County (72B) office may not be in compliance with the above stated regulations and policies, which could result in theft, embezzlement, or unauthorized negation or use of benefits.

Recommendation: We recommend the Tulsa County (72B) office implement a formal daily reconciliation using the 10EB001E form provided by OKDHS. The form should be signed by the employee performing the daily reconciliation and a second employee involved in the daily reconciliation process. The reconciliation totals should also be taken to the master issuance file, maintained by the administrative assistant, to ensure that each card can be accounted for.

Views of Responsible Official(s)

Contact Person: Lisa Henley, Director of Electronic Payment Systems

Anticipated Completion Date: January 2010

Corrective Action Planned: Concur. Effective immediately this office and staff will follow the guidelines set forth in 340:65-3-6.1 regarding the EBT program which in part reads “(3) All cards must be kept in a secure location. The designated EBT specialist completes Form 10EB001E, Daily Card Count, and Form 10EB002E, Daily Card Issuance Report, each day. These forms are kept for audit and review purposes for a period of three years.”

FINDING NO: 09-830-019

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.561

FEDERAL PROGRAM NAME: Supplemental Nutrition Assistance Program

FEDERAL AWARD NUMBER: 2009IS251446

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Period of Availability

QUESTIONED COSTS: \$43,036

Criteria: 7 CFR 3016.23 (a) states, “Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding.”

7 CFR 3016.23 (b) states, “Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period to coincide with the submission of the annual Financial Status Report (SF-269).”

Condition: During our testing of the period of availability, we selected 43 administrative claims from the 01/01/09 through 03/31/09 time period and performed procedures to determine when the underlying obligation for each of the claims occurred. Since funds must be liquidated no later than 90 days after the end of the funding period, any claims with an obligation date prior to 9/30/08 should have been liquidated by 12/31/08 using FFY08 grant funds. We noted that 1 of the 43 claims selected appeared to have an obligation date prior to 9/30/08 which indicated they had been obligated during FFY08 but had been liquidated using FFY09 funds.

Cause: Program personnel do not appear to be following the SNAP period of availability guidelines.

Effect: The SNAP program may not be in compliance with the above stated regulations.

Recommendation: We recommend procedures be implemented and training be performed to ensure that expenditures are obligated and liquidated in the correct time period.

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Views of Responsible Official(s)

Contact Person: Kathie Wright, SNAP Program Administrator

Anticipated Completion Date: 10-1-2010

Corrective Action Planned: Concur. We have modified our internal procedures and on 2-23-2010 we notified the applicable vendor that all claims must now be submitted by December 15 of each year. The Program Field Representative responsible for the SNAP Nutrition Education will modify the language of the FFY 2011 contracts to incorporate the 90 day liquidation requirements.

FINDING NO: 09-830-020

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: 09B1OKLIEA

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Eligibility / Activities Allowed or Unallowed

QUESTIONED COSTS: \$480

Criteria: OAC 340:65-1-3 states, "...The case record is the means used by the Agency to document the factual basis for decisions."

OAC 340:65-1-3 Instructions to Staff state, "(a) Definition to Family Support Services Division (FSSD) official case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of assistance. The case record includes information in the county office, working and history records, as well as all electronically maintained data. OKDHS retains these records for legal requirements and audit purposes.

According to the LIHEAP Checklist for Walk-In Applications, income must be verified for "N" cases using either the Department income verification screens or another method of income verification which also must be indicated on the checklist.

OAC 340:20-1-12 Instructions to Staff state "(3) A copy of the bill is filed in the case record, or verification from the energy supplier is recorded in the case record."

Condition: During testwork of case files selected from Area's 1 and 6, we noted the following:

- 3 of the 60 case files did not contain a copy of the utility bill. (Questioned costs \$0)
- 2 of the 60 case files did not include the LIHEAP application to support the eligibility determination for the benefit selected for testing. (Questioned Costs \$330)
- 7 of the 14 "N" type cases did not contain a completed LIHEAP Checklist for Walk-In Applications, 2 of those 7 had no documentation supporting the verification of income. (Questioned costs \$0)
- 1 of the 60 case files was not provided to support eligibility determination or to support benefit calculation for those benefits selected for testing. (Questioned Costs \$150)

Cause: Case records were not adequately documented and maintained to ensure recipients were eligible.

Effect: The State may be paying ineligible recipients; therefore, not meeting program objectives.

Recommendation: We recommend the Department implement control procedures to ensure all recipients are eligible to receive assistance payments. Additionally, we recommend the Department ensure all eligibility documentation is maintained as required.

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Views of Responsible Official(s)

Contact Person: Cari Crittenden, LIHEAP Program Field Representative

Anticipated Completion Date: July 1, 2010

Corrective Action Planned: OKDHS recognizes the importance of maintaining documentation of case records. FSSD LIHEAP staff will continue to emphasize the importance of maintaining LIHEAP applications and supporting documentation in the case record through program instructions and training materials.

FINDING NO: 09-830-021

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: G09B1OKLIEA

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$0

Criteria: The Code of Federal Regulations Title 45, Volume 1, Section 96.30 states, “Fiscal control and accounting procedures must be sufficient to ... (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.”

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Subpart C, § .300 Auditee responsibilities states, “The auditee shall... (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs....”

OAC 340:65-1-3 Instructions to Staff states “(a) Definition to Family Support Services Division (FSSD) official case records. The case record is an accumulation of material required to document a client’s eligibility for and receipt of assistance. The case record includes information in the county office, working and history records, as well as all electronically maintained data. OKDHS retains these records for legal requirements and audit purposes.”

Condition: We noted 446 cooling cases where the cooling benefit payment detail indicated no vendor and an “S” fuel type. According to the LIHEAP FSSD - 2009 Summer Cooling Instructions, benefits with the fuel type “S” are direct payments to the client for the purchase of or repairs to cooling equipment. We selected 10 of these cases for further review and noted the following:

- For 8 of the 10 case files selected, we noted a completed application for cooling assistance with an indication of a desire to purchase fan/air conditioner equipment; however, there was no purchase documentation (receipt) indicating that the purchase of this equipment was made.
- For 2 of the 10 case files selected, we noted a completed application for cooling assistance with no indication of a desire to purchase fan/air conditioner equipment with the benefit funds and no purchase documentation (receipt) indicating that the purchase was made.
- In addition to the above noted items, while looking in the selected case files, we also noted several instances where this type of benefit payment for the purchase of fan/air conditioner equipment was requested in different years by the same applicant. Although it is possible that the same person could need a replacement fan/air conditioner each year, this could also indicate that these direct

Schedule of Findings Federal Award Findings And Questioned Costs

payments to the client are being obtained and used for other purposes since purchase documentation is not required to obtain the benefit.

Cause: There is no requirement for purchase documentation for the benefit payments that are paid directly to the client for cooling equipment or equipment repairs.

Effect: The State may be issuing cooling benefit payments directly to clients and those payments may not be going for the intended purpose; therefore, not meeting program objectives.

Recommendation: We recommend the Department begin requiring purchase documentation to support these benefit payments to ensure funds are being used for the intended purpose. One possible alternative would be to implement a voucher system similar to the FSSD Flexible Fund authorizations. If clients are determined eligible for benefits, a voucher would be issued for the benefit amount and the client would then take the voucher to an approved vendor to purchase the fan/air conditioning equipment. The vendor would then submit the voucher to the Department for payment. This could help to ensure that program funds are being used for the intended purpose.

Views of Responsible Official(s)

Contact Person: Cari Crittenden, LIHEAP Program Field Representative

Anticipated Completion Date: 6/1/10

Corrective Action Planned: Concur. FSSD LIHEAP staff will consult with federal partners and agencies in other states regarding procedures for documentation for purchasing cooling equipment. FSSD LIHEAP staff conducted an informal audit of the 2008 summer cooling program and discovered a large portion of these issues are occurring in one area of the state. FSSD will continue to train LIHEAP staff on the importance of documentation.

FINDING NO: 09-830-022

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658

FEDERAL PROGRAM NAME: Foster Care – Title IV-E

FEDERAL AWARD NUMBER: 0801OK1407 and 0901OK1407

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$4,816

Criteria: 45CFR1356.21 (b)(1)(ii) states, “If the determination concerning reasonable efforts to prevent the removal is not made as specified in paragraph (b)(1)(i) of this section, the child is not eligible under the title IV-E foster care maintenance payments program for the duration of that stay in foster care.”

45 CFR 1356 (b)(2)(i) states in part, “The State agency must obtain a judicial determination that it has made reasonable efforts to finalize the permanency plan that is in effect...within twelve months of the date the child is considered to have entered foster care...and at least once every twelve months thereafter while the child is in foster care.”

45CFR 1356(c) states in part, “...The contrary to the welfare determination must be made in the first court ruling that sanctions (even temporarily) the removal of a child from home. If the determination regarding contrary to the welfare is not made in the first court ruling pertaining to removal from the home, the child is not eligible for title IV-E foster care maintenance payments for the duration of that stay in foster care”.

45 CFR 1356 (m) states, “*Review of payments and licensing standards.* In meeting the requirements of section 471(a) (11) of the Act, the State must review at reasonable, specific, time-limited periods...”

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Condition: During testing procedures of forty case files of foster care children and their providers who received title IV-E foster care maintenance payments during SFY 2009; we noted one Child Custody Specialist file did not contain the necessary eligibility determination/redetermination documentation. Upon further follow-up, we determined that the child was determined to be ineligible for IV-E Foster Care; however, the IV-E Foster Care maintenance payments for SFY09 had not been recouped.

Cause: The Department did not adequately document the eligibility determination/redetermination. Additionally, when the child was determined to have been ineligible, IV-E Foster Care payments were not properly recouped.

Effect: The Department may not be in compliance with the above stated federal regulations regarding title IV-E foster care maintenance payments.

Recommendation: We recommend the Department ensure the Title IV-E Foster Care maintenance payments issued for this child are recouped immediately.

Views of Responsible Official(s)

Contact Person: Kevin Haddock, Finance Manager/Comptroller II/OKDHS Child and Family Services

Anticipated Completion Date: 12/31/2010

Corrective Action Planned: Concur. We will research the cited case and take the appropriate action.

FINDING NO: 09-830-023

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$8,994

Criteria: OAC 340:65-3-1(a) states, "The determination of eligibility is a continuous process that begins with an application. It includes the final disposition of the application and all subsequent activities related to determining continuing eligibility. "

OAC 340:65-1-3 states, "...The case record is the means used by the Agency to document the factual basis for decisions."

OAC 340:65-1-3 Instructions to Staff state, "(a) Definition of Family Support Services Division (FSSD) case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of assistance. The case record includes information in the local Oklahoma Department of Human Services (OKDHS) office, working and history records, and all electronically maintained data. OKDHS retains these records for legal requirements and audit purposes."

OAC 340:65-3-8(d) (2) states, "The worker completes a review or recertification at 12-month intervals with a: (A) TANF recipient unless an earlier review date is warranted..."

OAC 340:65-3-8(d) (1) states "The worker completes a review at six month intervals with a:(A) TANF recipient due to:(i) pending required immunizations; (ii) payment standard reductions because of intentional program violations; (iii) hardship extension approvals; (iv) earned income; (v) a work-eligible person exempt from TANF Work activities because of incapacity; or (vi) a work-eligible person exempt from TANF Work activities to care for a disabled family member living in the household."

Schedule of Findings Federal Award Findings And Questioned Costs

Condition: From our population of 15,965 cases, we selected 60 cases for testing and noted the following:

- One case where no TANF eligibility application was found for the time period tested in the case file provided by the county office. (Questioned Costs \$900)
- Seven cases where no TANF eligibility review or re-determination was found for the time period tested in the case file provided by the county office. (Questioned Costs \$ 8,094)

Cause: TANF eligibility applications and review/re-determination documentation is not being adequately maintained.

Effect: The Department may not be in compliance with the above stated internal policies, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow policy and complete eligibility applications and review or re-determinations for TANF recipients as required and also ensure that these applications and reviews or re-determinations are maintained in the case records.

Views of Responsible Official(s)

Contact Person: Linda Hughes, TANF Program Manager

Anticipated Completion Date: February 24, 2010

Corrective Action Planned: This finding will be discussed and presented as a Top Issue with field liaisons during the February 24, 2010 FSSD Field Liaison meeting.

FINDING NO: 09-830-024

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – Child Support Non-Cooperation

QUESTIONED COSTS: \$0

Criteria: 45 CFR Sec. 264.30 states “(a)(1) The State agency must refer all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified or enforced, to the child support enforcement agency (i.e., the IV-D agency). (2) Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. (b) If the IV-D agency determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with section 454(29) of the Act or for a good cause domestic violence waiver granted in accordance with § 260.52 of this chapter, then the IV-D agency must notify the IV-A agency promptly. (c) The IV-A agency must then take appropriate action by: (1) Deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or (2) Denying the family any assistance under the program.”

OAC 340:65-3-1(a) states, “The determination of eligibility is a continuous process that begins with an application. It includes the final disposition of the application and all subsequent activities related to determining continuing eligibility. “

OAC 340:65-1-3 states, “...The case record is the means used by the Agency to document the factual basis for decisions.”

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OAC 340:65-1-3 Instructions to Staff state, “(a) Definition of Family Support Services Division (FSSD) case records. The case record is an accumulation of material required to document a client's eligibility for and receipt of assistance. The case record includes information in the local Oklahoma Department of Human Services (OKDHS) office, working and history records, and all electronically maintained data. OKDHS retains these records for legal requirements and audit purposes.”

OAC 340:65-3-8(d) (2) states, “The worker completes a review or recertification at 12-month intervals with a: (A) TANF recipient unless an earlier review date is warranted...”

OAC 340:65-3-8(d) (1) states “The worker completes a review at six month intervals with a:(A) TANF recipient due to:(i) pending required immunizations; (ii) payment standard reductions because of intentional program violations; (iii) hardship extension approvals; (iv) earned income; (v) a work-eligible person exempt from TANF Work activities because of incapacity; or (vi) a work-eligible person exempt from TANF Work activities to care for a disabled family member living in the household.”

Condition: From our population of 15,965 cases, we selected 60 cases for Child Support Non-Cooperation testing and noted the following:

- Four cases in which no TANF review or re-determination was found for the time period tested in the case file provided by the county office; therefore, a determination could not be made regarding the recipients cooperation with the State concerning child support.

Cause: TANF case record documentation is not being adequately maintained.

Effect: The Department may not be in compliance with the above stated requirements, which may result in individuals receiving TANF benefits while not cooperating with Child Support Enforcement.

Recommendation: We recommend the Department follow policy and ensure that all case records are adequately maintained.

Views of Responsible Official(s)

Contact Person: Linda Hughes, TANF Program Manager

Anticipated Completion Date: February 24, 2010

Corrective Action Planned: This finding will be discussed and presented as Top Issues Document with field liaisons for all six OKDHS areas at the February 2010 Field Liaison Meeting.

FINDING NO: 09-830-025

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System

QUESTIONED COSTS: \$0

Criteria: Each State is required to participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual's eligibility or level of assistance, benefits or services under the TANF program.

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DHS Policy 340:65-3-4 (4) (A) states in part, “The worker is responsible for reviewing data exchange information at the time of application and review of eligibility.”

Condition: From our population of 15,965 cases, we selected 60 TANF cases to determine that income verification occurred and noted two cases in which no application or income verification documentation was found for the time period tested.

Cause: The initial verification of income is a manual process performed by the social worker. Therefore, this process could be omitted when determining eligibility.

Effect: The income used to determine a TANF applicant’s eligibility may not be accurate.

Recommendation: We recommend the Department emphasize to staff the importance of maintaining documentation to support income verification through data exchange to ensure the TANF applicant’s eligibility is adequately documented.

Views of Responsible Official(s)

Contact Person: Linda Hughes, TANF Program Manager

Anticipated Completion Date: February, 2010

Corrective Action Planned: This finding will be discussed and presented as Top Issues Document with field liaisons for all six OKDHS areas at the February 2010 Field Liaison Meeting.

FINDING NO: 09-830-026

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – Penalty for Refusal to Work

QUESTIONED COSTS: \$0

Criteria: 45 CFR Sec. 261.14 states in part “If an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish.”

OAC 340:65-3-1(a) states, “The determination of eligibility is a continuous process that begins with an application. It includes the final disposition of the application and all subsequent activities related to determining continuing eligibility. “

OAC 340:65-1-3 states, “...The case record is the means used by the Agency to document the factual basis for decisions.”

Condition: From our population of 15,965 cases, we selected 60 TANF cases for testing of Penalty for Refusal to Work and noted the following:

- One case where no TANF application was found for the time period tested in the case file provided by the county office to determine if the recipient agreed to work or was exempt due to good cause.
- Five cases where no TANF re-determination was found for the time period tested in the case file provided by the county office to determine if the recipient agreed to work or was exempt due to good cause.

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Cause: TANF case record documentation is not being adequately maintained.

Effect: The Department may not be in compliance with the above stated requirements, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow policy and ensure that all case record documentation is completed and adequately maintained.

Views of Responsible Official(s)

Contact Person: Linda Hughes, TANF Program Manager

Anticipated Completion Date: February 24, 2010

Corrective Action Planned: *Concur.* This finding will be discussed and presented as a Top Issue with field liaisons during the February 24, 2010 FSSD Field Liaison Meeting.

FINDING NO: 09-830-027

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – Income Eligibility and Verification System

QUESTIONED COSTS: \$0

Criteria: Each State is required to participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. The State is required to review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the individual’s eligibility or level of assistance, benefits or services under the TANF program.

DHS Policy Instructions to Staff 340:65-3-4-14 states, “Data exchange information is routinely compared with OKDHS records. When discrepant information is detected, an automated system of notification posts discrepancy messages to IMS. These messages are accessible by using transactions G1DX, G3, and PY. All discrepancy messages must be cleared using the DXD transaction within 30 days of the error posting.”

Condition: We performed testwork on the SFY 2009 G1DX Exception and Clearance Reports. We noted the following:

Error Type	G1DX TOTAL EXCEPTIONS	G1DX EXCEPTIONS OVER 30 DAYS	% OF EXCEPTIONS OVER 30 DAYS
BEN	18,162	1,354	7.46%
IEV	33,799	3,273	9.68%
OWG	15,617	1,784	11.42%
SDX	44,969	3,692	8.21%
SNH	64,237	6,077	9.46%
UIB	14,964	768	5.13%
TOTAL	191,748	16,948	8.84%

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Cause: The discrepancies were not cleared within the allowable 30 days per OKDHS policy.

Effect: The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department utilize the monitoring reports created for the G1DX discrepancies that summarize these discrepancies by worker, supervisor, county and area. These reports allow management to monitor not only the type of discrepancy and length of days outstanding, but also to distinguish who is responsible for clearing the discrepancy within the 30 days allowed under current OKDHS policy.

Views of Responsible Official(s)

Contact Person: James Conway, OKDHS FSSD

Anticipated Completion Date: 12/31/2010

Corrective Action Planned: Concur. In August, 2009 FSSD initiated a G1DX process improvement project aligned with an agency wide "Lean/Six Sigma" initiative. The goal of this project is to increase the effectiveness and efficiency of clearing discrepancies by automating processes and filtering out irrelevant items. Current process already utilizes the monitoring reports created for the G1DX discrepancies and are worked as promptly as workload allows. OKDHS policy is more stringent than the federal policy and the agency is still accomplishing a 91.16% accuracy rate within 30 days (OKDHS policy).

FINDING NO: 09-830-031

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: G09B1OKLIEA

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$1,903

Criteria: OAC 340:20-1-10. Paragraph (b) states :“(1) The primary energy source during winter months is the fuel used by the household for heating. (2) If a cooling program is implemented during the summer months, the fuel type used for cooling is the primary energy source. (3) In the event funds are available to assist with cooling through the Energy Crisis Assistance Program (ECAP), the primary energy source becomes the fuel used by the household for cooling.” And paragraph (c) states, “There is one authorization for heating or cooling assistance per household.”

The LIHEAP FSSD – Summer Cooling Assistance 2009 states under payments, “A household may receive only one payment for this year’s cooling assistance. A household is all individuals ‘under one roof.’”

The LIHEAP FSSD - ECAP March 2009 instructions item 4 states, “The maximum payment is \$500 regardless of household size.”

Condition: While performing analytical procedures we noted the following:

- 6 out of 22 addresses appear to have received more than one heating benefit payment for the household. (Questioned Costs \$1,035)
- 1 out of 22 addresses appear to have received more than one cooling benefit payment for the household. (Questioned Costs \$150)

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- 3 out of 68 addresses appear to have received more than \$500 in ECAP benefits. (Questioned Costs \$718)

Cause: It appears there are no edit checks in place to ensure that the same address cannot receive multiple benefits.

Effect: Households may be receiving more benefits than allowed.

Recommendation: We recommend the Department implement system edits to ensure the same address cannot receive duplicate LIHEAP benefits.

Views of Responsible Official(s)

Contact Person: Cari Crittenden, LIHEAP Program Field Representative

Anticipated Completion Date: 10/1/10

Corrective Action Planned: FSSD LIHEAP staff will work with DSD staff to explore the feasibility of creating additional online edits to prevent duplicate benefits at a given address. FSSD LIHEAP staff will also include more specific instructions regarding the importance of cross referencing all cases with the same address prior to certification of a LIHEAP benefit. To address duplicates specifically identified in the course of this audit, FSSD staff will contact vendors and households regarding refunds to resolve overpayments.

FINDING NO: 09-830-032

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Agriculture

CFDA NO: 10.561

FEDERAL PROGRAM NAME: State Administrative Matching Grants for SNAP

FEDERAL AWARD NUMBER: 2009IS251446

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement and Suspension and Debarment

QUESTIONED COSTS: \$0

Criteria: 7 CFR 277.18 (c) General acquisition requirements states: “(1) Requirement for prior FNS approval. A State agency shall obtain prior written approval from FNS as specified in paragraph (c) (2) of this section when it plans to acquire ADP equipment or services with proposed FFP that it anticipates will have total acquisition costs of \$5 million or more in Federal and State funds. This applies to both competitively bid and sole source acquisitions. A State agency shall also obtain prior written approval from FNS of its justification for a sole source acquisition when it plans to acquire ADP equipment or services non-competitively from a nongovernmental source which has a total State and Federal acquisition cost of more than \$1 million but no more than \$5 million. The State agency shall request prior FNS approval by submitting the Planning APD, the Implementation APD or the justification for the sole source acquisition signed by the appropriate State official to the FNS Regional Office. However, a State agency shall obtain prior written approval from FNS for the acquisition of ADP equipment or services to be utilized in an EBT system regardless of the cost of the acquisition.”

7 CFR 3016.36(b)(9) states, “State agency procurement records. State agencies shall maintain records sufficient to detail the significant history of a procurement. These records shall include, but are not necessarily limited to, information pertinent to the rationale for the method of procurement, the selection of contract type, the contract selection or rejection, and the basis for the cost or price.”

7 CFR 3016.36(h)(3)(i)(10) states, “In the case of a payment by a State agency to a subagency or contractor using program funds, the state agency, USDA, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any book, documents, papers and records of the subagency or contractor which the State agency, USDA, or the Comptroller General of the United States or

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any of their duly authorized representatives, determine are pertinent to administration of the specific FNS program funds, for the purpose of making audit, examination, excerpts, and transcripts.”

The Central Purchasing Act Section 85.39(c) – Agency Internal Purchasing Procedures states, “Each state agency shall maintain a document file for each acquisition the state agency makes which shall include, at a minimum, justification for the acquisition, supporting documentation, copies of all contracts, if any, pertaining to the acquisition, evaluations, written reports if required by contract, and any other information the State Purchasing Director requires be kept.”

Condition: During our testing of the SNAP related procurement files, we noted that the IAPD for competitive contracts exceeding \$5 million dollars could not be produced. The particular file was for ACS which is a 10 year contract award. The Contracts and Purchasing Unit was unable to provide the file containing the IAPD. Department personnel explained that this file has been subject to many purchase order number changes, and the record of PO numbers related to the ACS file did not include the initial file PO number. This resulted in the initial file, which contained the IAPD documentation, to be unavailable. Therefore, it appears the proper documents, papers, and records were not maintained for an active contract award.

Cause: Pertinent documents for active contracts do not appear to have been maintained as required.

Effect: The Department may not be in compliance with the above stated regulations.

Recommendation: We recommend procedures be implemented and training be performed to ensure active contract files be maintained and that records be kept that would allow the Procurements Division to access these files.

Views of Responsible Official(s)

Contact Person: Pam Jennings, OKDHS Contracts & Procurements Division

Anticipated Completion Date: February 23, 2010

Corrective Action Planned: Concur. We have developed a manual system of retaining PA#s for contracts with contract initiation dates that precede what the Requisition System retains.

FINDING NO: 09-830-033

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 7,731

Criteria: 45 CFR Section 264.1(a) (1) states, “Subject to the exceptions in this section, no State may use any of its Federal TANF funds to provide assistance (as defined in § 260.31 of this chapter) to a family that includes an adult head-of-household or a spouse of the head-of-household who has received Federal assistance for a total of five years (i.e., 60 cumulative months, whether or not consecutive).”

45 CFR Section 264.1 (c) states, “States have the option to extend assistance paid for by Federal TANF funds beyond the five-year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, whichever the State elects. States are permitted to extend assistance to families only on the basis of: (1) Hardship, as defined by the State; or (2) The fact that the family includes someone who has been battered, or subject to extreme cruelty based on the fact that the individual has been subjected to: (i) Physical acts that resulted in, or

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threatened to result in, physical injury to the individual; (ii) Sexual abuse; (iii) Sexual activity involving a dependent child; (iv) Being forced as the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities; (v) Threats of, or attempts at, physical or sexual abuse; (vi) Mental abuse; or (vii) Neglect or deprivation of medical care.”

DHS Policy Instructions to Staff 340:10-3-56-4.b. (2) states, “(b) When the TANF benefit is active and the client is approaching the 60 month time limit, the system sends an automatic notice in the 57th month of benefit receipt. The notice advises the client to contact the worker as benefits are ending soon. The worker's CWA Report 57 lists all cases where TANF clients are within 90 calendar days of the 60 month time limit. When a case appears on the worker's CWA, the worker makes a home visit or sends the client Form 08AD092E requesting a face-to-face interview to discuss whether the client wishes to request a hardship extension request. (2) When the client fails to respond to the interview request or marks on Form 08TW024E that an extension request is not requested, the worker closes the TANF benefit for the next effective date and follows the same procedures outlined in (a)(3) of this Instruction. If the client requests a fair hearing during the ten-day period following the issuance of the adverse notice, the benefit can remain open until a decision is made by the Appeals Unit. Refer to OAC [340:65-5-1](#).”

DHS Policy Instructions to Staff 340:10-3-56-4.d.(2) states, “(d) When the client's hardship extension approval time frame is completed, the worker makes a home visit or sends the client Form 08AD092E requesting a face-to-face interview to discuss whether the client wishes to request an additional hardship extension. (2) When the client fails to respond to the interview request or marks on Form 08TW025E that a continued extension request is not requested, the worker closes the TANF benefit for the next effective date using code 29C "receipt of 60 months of TANF. Extension time frame completed.”

Condition: From the population of 112 cases that received TANF benefits for more than 60 months, we selected 22 cases for testing. We tested the 22 cases and noted 7 cases where the client received benefits for more than 60 months without applying for a hardship extension or an additional hardship extension. 3 cases did not contain documentation of an application for a hardship extension (Form TW-24) and 4 cases did not contain documentation of a review for an additional hardship extension (Form TW-25).

Cause: The case was not closed in a timely matter. It appears that the action to close the case was not taken until after the client had received over 60 months of benefits.

Effect: The Department may not be in compliance with the above stated requirement, which may result in ineligible individuals receiving TANF benefits.

Recommendation: We recommend the Department follow the policy established to ensure a request for an extension of benefits (Form 08TW024E) and additional hardship extension of benefits (Form 08TW025E) are documented in the case files or that cases are closed in a timely manner to make certain that only 60 months of benefits are paid.

Views of Responsible Official(s)

Contact Person: Linda Hughes, TANF Program Manager

Anticipated Completion Date: February 24, 2010 and May 2010

Corrective Action Planned: These findings will be discussed and presented as Top Issues Document with field liaisons for all six OKDHS areas at the February 2010 Field Liaison Meeting.

Overpayments will be requested from county staff and established by the State Office Overpayment Section by May 3, 2010.

FINDING NO: 09-830-035

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

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FEDERAL AWARD NUMBER: G0901OKTANF

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

QUESTIONED COSTS: \$0

Criteria: 45 CFR Section 261.62(a) states, “To ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report and, if applicable, the SSP–MOE Data Report, each State must establish and employ procedures for determining whether its work activities may count for participation rate purposes; establish and employ procedures for determining how to count and verify reported hours of work; establish and employ procedures for identifying who is a work-eligible individual; establish and employ internal controls to ensure compliance with the procedures...”

TANF Data Report – Section One Instructions states, “A State must support each individual’s hours of participation through documentation in the case file. In accordance with 45 CFR Section 261.62, a State must describe in its Work Verification Plan the documentation it uses to verify hours of participation in each activity.”

For unsubsidized employment the OKDHS Work Verification Plan states in part, “The accuracy of the activity is verified using the information provided by the employer, the pay stubs, and data exchange information from the Oklahoma Employment Security Commission.”

Condition: We selected 45 cases for testing the Penalty for Failure to Comply with Work Verification Plan requirement and noted two cases where the work participation hours recorded on the ACF-199 report were not documented in the case file.

Cause: The TANF work participation hours were not adequately documented.

Effect: The Department may not be in compliance with the above stated regulations, which may result in ineligible individuals receiving TANF benefits as well as inaccurate reporting on the TANF Data Report.

Recommendation: We recommend the Department follow policy and procedures for verifying reported hours of work to ensure accuracy in the reporting of work activities by work-eligible individuals on the TANF Data Report.

Views of Responsible Official(s)

Contact Person: James Conway/Linda Hughes

Anticipated Completion Date: March 17, 2010

Corrective Action Planned: Concur. This will be reported to the Area Director, Field Liaison, County Director and TANF supervisor. The subject of TW 13’s and data entry will be discussed as a TOP TANF ISSUE at the March Field Liaison Meeting March 17, 2010.

Department of Mental Health and Substance Abuse Services

FINDING NO: 09-452-001

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

FEDERAL AWARD NUMBER: 09B1OKSAPT

FEDERAL AWARD YEAR: 2009

Schedule of Findings Federal Award Findings And Question Costs

CONTROL CATEGORY: Reporting
QUESTIONED COSTS: \$0

Criteria: 45 CFR 96.130 (d) states “(1) The State shall conduct annual, random, unannounced inspections of both over-the-counter and vending machine outlets. The random inspections shall cover a range of outlets (not preselected on the basis of prior violations) to measure overall levels of compliance as well as to identify violations. (2) Random, unannounced inspections shall be conducted annually to ensure compliance with the law and shall be conducted in such a way as to provide a probability sample of outlets. The sample must reflect the distribution of the population under age 18 throughout the State and the distribution of the outlets throughout the State accessible to youth.”

45 CFR 96.130 (e) states “As provided by Sec. 96.122(d), the State shall annually submit to the Secretary a report which shall include the following: (1) a detailed description of the State's activities to enforce the law required in paragraph (b) of this section during the fiscal year preceding the fiscal year for which that State is seeking the grant; (2) a detailed description regarding the overall success the State has achieved during the previous fiscal year in reducing the availability of tobacco products to individuals under the age of 18, including the results of the unannounced inspections as provided by paragraph (d) of this section for which the results of over-the-counter and vending machine outlet inspections shall be reported separately....”

Also, the State of Oklahoma Administrative Plan states, “A component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: During our testing of the FY 2009 Annual Synar Report, we noted the following:

- For 22 of the 55 sample stratum, the counts reported in the ‘Outlet Sample Size’, ‘Number of Eligible Outlets in Sample’, ‘Number of Sample Outlets Inspected’ and/or ‘Number of Sample Outlets in Violation’ columns do not trace to the supporting Synar Compliance Sample List.
- For 2 of the 40 inspections selected for testing, the supporting Synar Survey Inspection Forms indicate that the outlets were ‘out of business’. However, the outlets are reflected as having been inspected in the Synar Compliance Sample List.
- For 1 of the 40 inspections selected for testing, the supporting Synar Survey Inspection Form indicates that the inspection was complete and did not indicate whether or not the buy had been successful. However, both the Synar Compliance Sample List and the SSES Table 2 indicate this was a non-successful buy.
- The errors noted above caused the SSES Table 2 Totals and Retailer Violation Rates to be incorrect.

Cause: It appears ODMHSAS and the ABLE Commission interpret the Synar Survey Inspection Forms differently when accumulating the results of the inspections.

Effect: The FY2009 Annual Synar Report does not tie to the Synar Compliance Sample List when both reports are derived from the same supporting documentation (Synar Survey Inspection Forms).

Recommendation: We recommend ODMHSAS implement procedures and/or training for the ABLE Commission to ensure the information reported in the Synar Compliance Sample List and the Annual Synar Report are consistent and accurate.

Views of Responsible Official(s)

Contact Person: Richard Bowden, ODMHSAS Director of Financial Services

Anticipated Completion Date: April 30, 2010

Corrective Action Planned: In response to item number one, the Synar Compliance Sample List is the format in which ODMHSAS notifies ABLE of the outlets included in the sample. ABLE uses this list to assign agents and track progress in each stratum as the inspections are being completed. Compliance outcomes noted on the list are made by ABLE and are part of their internal tracking

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system. Once this list is returned to ODMHSAS, it is used only as a reference tool and not for official data entry purposes. All information that is required for the Annual Synar Report is entered into the Synar Survey Estimation System (SSES) directly from the inspection forms. The official outcomes are summarized in full on Table 5 of the Results data set (SSES generated tables) and correlates with both the inspection forms and Table 2. To reduce confusion and increase accuracy, ODMHSAS will make Table 5 available for future audits. For item number two, the two outlets cited were coded as I1 (out of business). The retail locations were visited by the officers but no tobacco purchase attempt was made. For item number three, it was determined between ODMHSAS and the ABLE Commission that since there was no cost or defendant information entered the response would be indicated as "non-successful". ODMHSAS will discuss these findings with the ABLE Commission to determine if new written procedures are necessary. Training occurs minimally every year between ODMHSAS and the ABLE Commission.

FINDING NO: 09-452-004

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

FEDERAL AWARD NUMBER: 09B1PKSAPT

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: 31 USC Sec. 7502 (f) (1) states "Each Federal agency which provides Federal awards to a recipient shall - (A) provide such recipient the program names (and any identifying numbers) from which such awards are derived...."

Condition: During our testing of 40 treatment and prevention contracts, we noted that 2 of the contracts did not include the CFDA number and title; therefore, it appears the recipient was not made aware of these required items.

Cause: The page documenting that the provider was made aware of these items was not included in the contract file.

Effect: It appears the Department is not in compliance with the above stated requirement.

Recommendation: We recommend the Department develop procedures to ensure all providers are made aware of the CFDA numbers and titles as required.

Views of Responsible Official(s)

Contact Person: Richard Bowden, ODMHSAS Director of Financial Services

Anticipated Completion Date: Immediately upon approval of ODMHSAS leadership.

Corrective Action Planned: A Contract Quality Review Checklist will ensure that each contract packet is reviewed for completeness before being mailed to the contractor. This will ensure that federal funding is identified to the Contractor. The checklist will enable another staff person to team with the originator of the contract to perform the quality review. This should provide a system of checks and balances.

FINDING NO: 09-452-005

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

Schedule of Findings Federal Award Findings And Question Costs

FEDERAL AWARD NUMBER: 09B1PKSAPT
FEDERAL AWARD YEAR: 2009
CONTROL CATEGORY: Subrecipient Monitoring
QUESTIONED COSTS: \$0

Criteria: 2 CFR section 215.51(a) states, “Recipients are responsible for managing and monitoring each project, program,...supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements....”

Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS) Prevention Services On-Site Review Procedure A.1.a. *Preparing for the On-Site Review*, states, “Each reviewer shall compile the following prior to the on-site review: A computer-generated list of randomly selected services reported to ICIS by the provider for reimbursement.”

Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS) Prevention Services On-Site Review Procedure D.1. *Response From The Provider*, states, “If a corrective action plan is warranted by the site review, the provider must provide a written response within 30 business days from receipt of the final report.”

Condition: During our testwork of fourteen Prevention Services provider on-site review reports/files, we noted one provider did not submit a corrective action plan for deficiencies noted during the on-site review to ODMHSAS within the required time frame. We also noted the financial review section was not completed for three of the on-site review reports; therefore, we were unable to verify invoices for services reported to ICIS by the provider for reimbursement were reviewed.

Cause: The ODMHSAS Prevention Services Division did not receive the corrective action plan from the provider within the required time frame and invoices were not reviewed during the on-site visit.

Effect: The ODMHSAS is not in compliance with the federal requirements. In addition, ODMHSAS is not in compliance with the Department’s internal procedures.

Recommendation: We recommend ODMHSAS ensure the Prevention Services Division monitors subrecipients as necessary to determine whether prompt and appropriate corrective action has been taken within the required time period. In addition, we recommend ODMHSAS ensure the Prevention Services Division reviews the provider’s invoices during on-site visits.

Views of Responsible Official(s)

Contact Person: Richard Bowden, ODMHSAS Director of Financial Services

Anticipated Completion Date: 30 days

Corrective Action Planned: ODMHSAS Prevention Services Division will add a section to the site visit protocol for supervisor and Prevention Service Director (when applicable) review and approval will be documented with a dated signature. The Prevention Service Director has also amended the site visit procedure to include this step in the approval process. In addition, a requirement was added to the site visit procedure requiring all site monitors to complete all sections of the site visit instrument and to provide written justification when and if a section is not completed. Exceptions, such as in the case of a service provider within the agency, to the invoice review requirements are currently being discussed. If such exceptions exist, they will be noted in the site visit procedure.

FINDING NO: 09-452-001IT

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

CONTROL CATEGORY: Information Systems

Schedule of Findings Federal Award Findings And Questioned Costs

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT) Delivery and Support DS5, information services management should ensure that system's security safeguard information against unauthorized use, disclosure or modification, damage or loss.

Condition: Procedures are not in place to monitor unauthorized access to data and/or programs for the ICIS/Fee For Service Applications. The ICIS system is used to collect and validate information about clients and the services provided to them. This information is used for evaluation, audit, and payment of services. Fee For Service uses information in ICIS and from contract services to determine the appropriate source of payment for services. It produces invoices and provides management reports based on ICIS data.

Effect: Unauthorized accesses and changes to the system may go unnoticed.

Recommendation: We recommend the Department establish reports for security breaches, and formal resolution procedures. These reports should include:

- Unauthorized attempts to access system (sign on)
- Unauthorized attempts to access system resources.
- Unauthorized attempts to view or change security definitions and rules.
- Resource access privileges by user id.
- Authorized security definitions and rule changes.
- Authorized access to resources (selected by user and resource).
- Status change of the system security.
- Accesses to operation system security parameter tables.

Views of Responsible Official(s)

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: July 1, 2005

Corrective Action Planned: The agency has changed the entry into the ICIS system, which now has an "access control" module restricting user access, based upon a business need. In addition the agency is logging access attempts and enforcing a HIPAA access control standard. However the development of a monitoring report application is still being developed. More applications have been added to the 'Access Control' module to permit logging of access attempts. The 'Access Monitoring Reports' application is still in development. It has been delayed due to hold on staff hiring.

Auditor Response: We observed the "access control" system in operation and found it to be an excellent application in controlling access to the ICIS system and the information that is contained in that system. The development and implementation of this application does mitigate a number of concerns in the original finding, however since the monitoring and reporting portion of this application is still under development we are rating this as partially corrected.

FINDING NO: 09-452-002IT

STATE AGENCY: Oklahoma Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

FEDERAL PROGRAM NAME: Block Grants for Prevention and Treatment of Substance Abuse

CONTROL CATEGORY: Information Systems

Criteria: Quality Assurance: According to CobiT Planning and Organization PO4.5, management should assign the responsibility of the quality assurance function to staff members of the IT function and ensure that appropriate quality assurance, systems, controls and communications expertise exists in the IT function's quality assurance group. The organizational placement within the IT function and the responsibilities and the size of the quality assurance group should satisfy the requirements of the organization.

Schedule of Findings Federal Award Findings And Question Costs

Condition: The agency does not have a quality assurance program to adequately review projects ensuring that they meet user requirements and agency standards.

Effect: The lack of a quality assurance program increases the potential that application development is not adequately tested and does not meet the project plans and specifications.

Recommendation: We recommend the OSDMH develop and implement a quality assurance unit within the IT function to provide oversight and review of system development and implementation.

Views of Responsible Official(s)

Contact Person: Leo Fortelney, MIS Director

Anticipated Completion Date: Ongoing

Corrective Action Planned: Develop and implement a quality assurance unit within the IT division to provide oversight for development and implementation of IT projects. A position description is being drafted to establish an IT Quality Assurance Analyst position to provide oversight for development and implementation of IT projects. ODMHSAS has contracted with Gartner, an IT technical assistance company, to review and assess IT infrastructure needs. As of 09/01/09, position descriptions have been written, but funding for a position has not been approved because of Department budget cuts.

Department of Rehabilitation Services

FINDING NO: 09-805-001

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Service - Vocational Rehabilitation Services Grants to States and Rehabilitation Services – Vocational Rehabilitation Services Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053 and H390A-090053

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Reporting; Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form

QUESTIONED COSTS: \$-0-

Criteria: A component objective of an effective internal control system is to ensure accurate and reliable information through proper review and approval.

Oklahoma Office of State Finance's (OSF) instructions for preparation of the Schedule of Expenditures of Federal Awards (SEFA) Conversion Package states, "Primary recipients, subrecipients of grant/entitlement funds as well as agencies who receive funds under cost reimbursement contracts or ARRA within state government will report amounts on the Conversion Package Z."

Condition: During our review of the fiscal year (FY) 2009 SEFA, we noted the following:

1. The Department reported \$9,455.62 in expenditures on CFDA #84.126, Rehabilitation Services - Vocational Rehabilitation Grants to States, which should have been reported on CFDA #84.390, Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act.
2. A \$1,938,493 correction to the prior year accounts receivable amount for CFDA #84.126, Rehabilitation Services – Vocational Rehabilitation Grants to States.

Schedule of Findings Federal Award Findings And Questioned Costs

Cause: Lack of proper review and approval of the SEFA resulted in improper reporting of accounts receivable and expenditure amounts on the FY 2009 SEFA.

Recommendation: We recommend the Department develop and implement procedures for a detailed review and approval of the SEFA.

Views of Responsible Official(s)

Contact Person: Elaine Shetley

Anticipated Completion Date: SEFA report has been amended - Completed

Corrective Action Planned: The Agency recognizes the adjustments identified, but does not concur with the recommendation for a more extensive review or additional procedures. The two adjustments were abnormal in nature due to issues with Stimulus funding and an adjustment to actual that predates the Agencies existence. The SEFA report has been modified to reflect the finding of the auditor.

Auditor Response: It is our opinion that DRS does not have sufficient controls in place to ensure that the information submitted on the SEFA is complete and accurate. Therefore, we feel that a review by a person independent of the preparation of the SEFA and the SEFA reconciliation is necessary.

FINDING NO: 09-805-002

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Service - Vocational Rehabilitation Services Grants to States and Rehabilitation Services – Vocational Rehabilitation Services Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053 and H390A-090053

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Allowable Costs/Cost Principles

Criteria: A component objective of an adequate internal control system is to ensure accurate and reliable information through proper review and approval.

2CFR § 225 – Cost Principles for State, Local, and Tribal Governments (OMB Circular A-87) establishes principles and standards to provide a uniform approach for determining allowable costs. Appendix A, section A.2.a. states, “The application of these principles is based on the fundamental premises that... (3) Each governmental unit... will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards.

Condition: During the process of documenting the agency’s internal controls over allowable costs/cost principles, we noted that the agency does not review charges made to the Vocational Rehabilitation program to determine if they are allowable under OMB Circular A-87. The agency stated that they ensure costs charged to the program are allowable by ensuring that no unallowable items are included in the agency’s budget. However, we reviewed the agency’s budget and noted that it was too general to identify unallowable costs that might be charged to the program.

Cause: There appears to be a lack of proper review and approval of costs charged to the Vocational Rehabilitation program.

Effect: Unallowable costs could be charged to the program and not be detected in a timely manner.

Schedule of Findings Federal Award Findings And Question Costs

Recommendation: We recommend that costs charged to the Vocational Rehabilitation program be reviewed and approved by someone having knowledge of OMB Circular A-87 to ensure unallowable costs are not charged to the Vocational Rehabilitation program.

Views of Responsible Official(s)

Contact Person: Kevin Statham

Anticipated Completion Date: March 31, 2010

Corrective Action Planned: DRS does not concur with this finding. Costs charged to the Vocational Rehabilitation program are reviewed by a CPO and they are individuals who have knowledge of OMB A-87. As part of the CPO training curriculum, OMB circulars including A-87 are taught and tested on as they pertain to purchasing. Likewise, discussions during budget planning would detect new program activity that would include a discussion regarding allowability. The Federal Accounting Supervisor is knowledgeable in regards to OMB A-87 and the Accounts Payable Supervisor has a current CPO Certificate. DRS will publish a message to reintroduce the OMB A-87 information to individuals involved in the purchasing and payment for costs associated with the Vocational Rehabilitation Program.

Auditor Response: The CPO we spoke with during the audit was not familiar with OMB Circular A-87. In addition, there seemed to be some confusion about who is responsible for reviewing charges for allowability. Therefore, we feel that the agency should take steps to clearly identify who is responsible for this procedure. This along with the reintroduction of OMB Circular A-87 should be sufficient to correct this finding.

FINDING NO: 09-805-003

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Service - Vocational Rehabilitation Services Grants to States and Rehabilitation Services – Vocational Rehabilitation Services Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053 and H390A-090053

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Procurement and Suspension and Debarment

Criteria: The FY 2009 OMB Circular A-133 Compliance Supplement states, “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 is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).”

The Oklahoma Department of Rehabilitation Services Acquisition Procedures states, “CPOs shall not select a supplier that...is located on the Federal debarment list.”

Condition: During the process of documenting the agency’s internal controls over procurement, we noted that the agency does not check the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collect a certification from the entity, or add a clause or condition to the covered transaction with that entity to verify that its procurement vendors are not suspended or debarred by the Federal government.

Cause: The Department appears to lack proper procedures for ensuring that vendors in “covered transactions” have not been suspended or debarred by the Federal government, and employees appear to lack knowledge of the OMB Circular A-133 requirements regarding Federal suspension and debarment.

Effect: Covered transactions could be awarded to a vendor who has been suspended or debarred.

Schedule of Findings Federal Award Findings And Questioned Costs

Recommendation: We recommend the Department of Rehabilitation Services implement procedures to ensure vendors in “covered transactions” have not been suspended or debarred by the Federal government, and train staff in the Procurement Division regarding the procurement related requirements in OMB Circular A-133.

Views of Responsible Official(s)

Contact Person: Eddie Lee, CPPB, CPO, Manager Contracts & Purchasing

Anticipated Completion Date: None as the Debarment Clause is already in our procedures.

Corrective Action Planned: DRS disagrees with the audit point. DRS has a Debarment Clause in contracts, RFPs, RFQs, ITBs, etc. that we issue. The documents reviewed without the Debarment Clause were property management leases for the rental of office space that are not issued by DRS. DCS State Leasing is responsible for and generates these contracts. We recommend that the State Auditors contact DCS State Leasing and advise them of the requirement for the Debarment Clause in their contracts.

Auditor Response: As the primary recipient of the grant, DRS is responsible for ensuring that all transactions are in compliance with the requirements of their grant, including collecting a certification from the vendor or checking the EPLS on all leasing contracts.

FINDING NO: 09-805-004 (**Repeat Finding**)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Service - Vocational Rehabilitation Services Grants to States and Rehabilitation Services – Vocational Rehabilitation Services Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053 and H390A-090053

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: OMB Circular A-87 Attachment B 8.h.3 states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.”

Condition: During testing of the direct employee payroll certifications, we noted the following:

- 18 out of 60 employees selected only had one of the two required certifications completed during SFY 2009.
- 19 out of 60 employees selected did not have any certifications completed during SFY 2009.
- One out of 60 employees selected did not have a certification completed in a timely manner.

Effect: Unallowable costs may be charged to the federal award.

Schedule of Findings Federal Award Findings And Question Costs

Recommendation: We recommend the Department develop and implement policies and procedures to ensure payroll certifications are completed in a timely manner and approved by the employees' direct supervisor.

Views of Responsible Official(s)

Contact Person: Elaine Shetley

Anticipated Completion Date: June 30, 2010

Corrective Action Planned: The agency concurs with the finding as it pertains to the filing of the semi-annual certifications. The Financial Services Division assigns the funding to all new positions and reaffirms the funding on any established positions that have a personnel action during the year. While this is not intended to take the place of a required certification, it is intended to demonstrate a measure of oversight is in place. FSD staff takes an active role in aligning funding with assigned duties and actively discusses with Division Administrators the sanctity of funding sources. The agency has implemented the electronic filing of the certifications with marginal success due to a number of factors. Changes of supervision coupled with general movement or promotions of staff have made it extremely labor intensive to keep the electronic database current. FSD staff is examining how to improve the system to compensate for the dynamic environment created by staff changes and comply with the existing statutory requirement.

FINDING NO: 09-805-005 (**Repeat Finding**)

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Service - Vocational Rehabilitation Services Grants to States and Rehabilitation Services – Vocational Rehabilitation Services Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, and H390A-090053

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$-0-

Criteria: According to the OMB Circular A-133, "The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)):

- a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services."

Condition: During testing of client case files, we noted that three out of 45 clients were informed of their eligibility determination more than 60 days after application, and the file did not contain documentation of an approved agreement to extend the eligibility period.

Effect: The Department is not in compliance with its eligibility requirements in OMB Circular A-133.

Recommendation: We recommend the Department develop and implement policies and procedures to ensure clients are informed of their eligibility determination within 60 days.

Views of Responsible Official(s)

Schedule of Findings Federal Award Findings And Questioned Costs

Contact Person: David Couch, Division Administrator

Anticipated Completion Date:

Corrective Action Planned: The Division of Vocational Rehabilitation Services and the Division of Visual Services concur with the criteria, condition, effect and recommendations presented in finding number 09-805-005 related to the requirement that Vocational Rehabilitation Counselor determine eligibility within 60 days and notify the client, with the two stated exceptions.

We are pleased to report that it is required within our policy and guidelines and that compliance to this principle is included on each Vocational Rehabilitation Counselor's Performance Management Process as a critical accountability.

The Division Administrators are holding a management team meeting within the next two weeks to meet with our staff about ensuring emphasis of this requirement to our Counselors and greater compliance in future audits. As an agency, we do a 100% case review on this principle every year and on every case we serve.

If you have any further recommendations, I am confident we can comply with your counsel.

FINDING NO: 09-805-006

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: U.S. Department of Education

CFDA NO: 84.126 and 84.390

FEDERAL PROGRAM NAME: Rehabilitation Service - Vocational Rehabilitation Services Grants to States and Rehabilitation Services – Vocational Rehabilitation Services Grants to States, Recovery Act

FEDERAL AWARD NUMBER: H126A-080053, H126A-090053, and H390A-090053

FEDERAL AWARD YEAR: 2008 and 2009

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$13,830.17

Criteria: The OMB Circular A-133 compliance supplement states, "If the State indicates in its State Plan that it will use financial need tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances."

Oklahoma Administrative Code 612:10-3-1(c) states, "Any client who has been determined eligible for Social Security benefits under Title II or XVI of the Social Security Act will be exempt from client participation in service costs."

Oklahoma Administrative Code 612:10-3-3(b) states, "A Financial Status Determination form must be completed on every client whose program includes services based on the financial status of the client. If the services will be provided for one year or more, the counselor must re-evaluate the financial situation at least annually and any time there is a change in the financial situation of the client or family. The amount of client participation in cost will be based upon the most recent determination of client's financial status at the time the relevant IPE or amendment is written, and is to be stated in the IPE or amendment. A statement regarding the re-evaluation and a new Financial Status Determination form must be included in the case record. The financial review may be included in the IPE review if they occur at the same time."

Oklahoma Administrative Code 612:10-3-3(c) states, "Information regarding the client's financial status must be verified when an IPE includes, or will include, services which require client participation in cost of services. Information used to verify the client's financial status includes such documents as income tax returns, bank statements, pay stubs, canceled checks, payment receipts, and/or payroll documents. It is the client's responsibility to provide the documents needed for verification of financial status information for the family (612:10-3-1). If the client refuses to provide the requested verification, DVR and DVS resources will not be used to defray the cost of services which require client participation in cost of services."

Schedule of Findings Federal Award Findings And Question Costs

Condition: During testing of client case files, we noted that six out of 45 client case files reviewed did not document independent verification of the client's income or Social Security Disability benefits, whichever is applicable.

Effect: The Department is not in compliance with the financial need test requirements in OMB Circular A-133.

Recommendation: We recommend the Department train staff on its policies and procedures regarding independent verification of the client's income, and the importance of documenting this verification in the client case file. The Department's training should also include notifying staff of the importance in documenting independent verification of income when they perform the re-evaluations of income.

Views of Responsible Official(s)

Contact Person: David Couch, Division Administrator

Anticipated Completion Date:

Corrective Action Planned: The Division of Vocational Rehabilitation Services and the Division of Visual Services concur with the criteria, condition, effect and recommendations presented in finding number 09-805-006 related to the requirement that the Vocational Rehabilitation Counselor provide independent verification of the client's income or Social Security Disability benefits.

We are pleased to report that it is required within our policy and guidelines.

We currently train each Vocational Rehabilitation Counselor on this principle in our Vocational Rehabilitation Academy, which occurs several times a year for each new Counselor. However, since this principle occurred in cases that were even being managed by veteran Counselors, we will be requiring that each Program Manager meet with their counseling staff to ensure that compliance with OMB Circular A-133 and our internal policy. As recommended, we will also emphasize the need for this practice in annual reviews and evaluations of progress.

If you have any further recommendations, I am confident we can comply with your counsel.

Department of Transportation

FINDING NO: 09-345-004

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Real Property Acquisition and Relocation Assistance

Criteria: A basic component of an adequate internal control system is to establish multiple levels of review and approval to effectively mitigate risks.

To establish multiple levels of review and approval and mitigate risk, the Department has assigned three individuals: the Acquisition Branch Supervisor, the Acquisition Branch Manager, and the Right-of-Way Division Chief or Assistant Chief to sign off on increases or decreases occurring during the negotiation process for property acquisitions. The Right-of-Way Division Chief delegates signing authority to the Acquisition Branch manager if both he and the Assistant Chief are out of the office.

Schedule of Findings Federal Award Findings And Questioned Costs

Condition: During our review of 90 real property acquisition parcel files, we noted one instance where the Acquisition Branch Manager signed review and approval of the Negotiated Amount Adjustment (Pinkie) form as Acquisition Branch Manager, and also signed the same form for the Right-of-Way Division Chief. The Department could not provide documentation to support a delegation of signing authority from the Right-of-Way Division Chief to the Acquisition Branch Manager during this time. Delegating signing authority to another individual that also signs off on the form in another capacity contradicts the purpose of the multiple levels of review and approval.

Cause: The Acquisition Branch Manager signed for the Right-of-Way Division Chief in his absence without delegation of signing authority. The Department has a policy in place to delegate signing authority to another individual that also signs off on the same form in another capacity, which contradicts the purpose of the multiple levels of review and approval.

Effect: Increases or decreases occurring during the negotiation process could be improperly approved.

Recommendation: We recommend the signing authority for the Right-of-Way Division Chief or Assistant Chief be delegated to someone other than an individual that also signs off on the form in another capacity. We also recommend the Department maintain records to document signing authority has been delegated.

Views of Responsible Official(s)

Contact Person: Kurt Harms, Right-of-Way Division Chief

Anticipated Completion Date: March 8, 2010

Corrective Action Planned: The correction action planned is to formally advise all personnel in a position of Branch Manager and above of the importance of ensuring that Delegation of Authority memorandums are generated and records for such are maintained to support signatory authority. Also, personnel will be advised that at no time shall a Branch Supervisor or above 'double sign' any document processed in the Division based on delegation of signatory authority.

FINDING NO: 09-345-005

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Real Property Acquisition and Relocation Assistance

Criteria: CFR 49 Sec 24.102(c)(2)(ii) states "acquisitions with an anticipated value less than \$10,000 do not require appraisal. When an appraisal is determined to be unnecessary, the Agency shall prepare a waiver valuation."

Right-of-Way & Utilities Division Policies and Procedures ACQ-PRO 6.113-3 state "the waiver valuation form must be approved in writing by the Acquisition Branch Manager and the Chief, Right-of-Way & Utilities Division prior to initiation of negotiations."

Condition: During our review of 90 real property acquisition parcel files, we noted one instance where the waiver valuation was not properly approved by the Acquisition Branch Manager, and the Right-of-Way Division Chief.

Cause: The Department did not follow applicable policies and procedures.

Effect: The appraisal process was bypassed based on a waiver valuation that is not properly approved.

Schedule of Findings

Federal Award Findings

And Question Costs

Recommendation: We recommend the Department stress to appropriate personnel the importance of compliance with applicable policies and procedures to ensure the acquisition process is properly performed and documentation is properly approved and maintained in the real property acquisition parcel file.

Views of Responsible Official(s)

Contact Person: Kurt Harms, Right-of-Way Division Chief

Anticipated Completion Date: March 8, 2010

Corrective Action Planned: The corrective action planned is to reinforce to the personnel in Acquisition Branch the importance of checking all documentation prior to submitting a secured parcel packet for approval and to reinforce to the Records Center the importance of correctly filing documentation once received. The service provider will also be advised of their contractual responsibility to maintain copies of all documentation, including approved waiver valuations.

FINDING NO: 09-345-007

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement, Suspension, and Debarment

QUESTIONED COSTS: \$0

Criteria: 61 O.S. 2001 § 104.1 states “All proposals to award public construction contracts shall be made equally and uniformly known by the awarding public agency to all prospective bidders and the public in the following manner: (1) Notice thereof shall be given by publication in a newspaper of general circulation and published in the county where the work, or the major part of it, is to be done, such notice by publication to be published in two consecutive weekly issues of said newspaper, with the first publication thereof to be at least twenty (20) days prior to the date set for opening bids.”

Condition: During our review of 45 procurements, we noted four instances where the first publication date was not at least twenty (20) days prior to the date set for opening bids.

Cause: The Office Engineer Division mistakenly sent the advertisement request to the Online Publisher’s Association (OPA) with a start date of no later than 04/30/2009. The let date for the projects was schedule for 05/14/2009. Therefore, advertisements needed to be published prior to 04/25/2009.

Effect: The Department was not in compliance with 61 O.S. 2001 § 104.1 and may not have given prospective bidders adequate notice to bid on the projects.

Recommendation: We recommend the Department stress to appropriate personnel the importance of compliance with regulations to ensure the procurement process is performed properly and prospective bidders are given adequate notice to bid on available projects.

Views of Responsible Official(s)

Contact Person: Brian Schmitt, Office Engineer

Anticipated Completion Date: Effective Immediately

Corrective Action Planned: The Department concurs with this finding. The importance of compliance with regulations has been stressed to our Contracts Officer and the Office Engineer Division will be more diligent to ensure no issues are encountered with future lettings.

FINDING NO: 09-345-009

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

Schedule of Findings Federal Award Findings And Questioned Costs

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement, Suspension, and Debarment – Contract Engineers

QUESTIONED COSTS: \$0

Criteria:

23 USC Sec. 112 (b) (ii) (D) Bidding Requirements - Indirect cost rates states:

Instead of performing its own audits, a recipient of funds under a contract or subcontract awarded in accordance with subparagraph (A) shall accept indirect cost rates established in accordance with the Federal Acquisition Regulations for 1-year applicable accounting periods by a cognizant Federal or State government agency, if such rates are not currently under dispute.

23CFR §172.7 (b) Audits for indirect cost rate states:

Contracting agencies shall use the indirect cost rate established by a cognizant agency audit for the cost principles contained in 48 CFR part 31 for the consultant, if such rates are not under dispute. A lower indirect cost rate may be used if submitted by the consultant firm, however the consultant's offer of a lower indirect cost rate shall not be a condition of contract award. The contracting agencies shall apply these indirect cost rates for the purposes of contract estimation, negotiation, administration, reporting, and contract payment and the indirect cost rates shall not be limited by any administrative or de facto ceilings. The consultant's indirect cost rates for its one-year applicable accounting period shall be applied to the contract, however once an indirect cost rate is established for a contract it may be extended beyond the one year applicable accounting period provided all concerned parties agree. Agreement to the extension of the one-year applicable period shall not be a condition of contract award. Other procedures may be used if permitted by State statutes that were enacted into law prior to June 9, 1998.

The 'Guidelines for the Administration of Consultant Contracts' dated June 26, 2008 and approved by the Federal Highway Administration Section 6.11 FAR Audits states:

An audited Federal Acquisition Regulation (FAR) indirect cost rate and related information must be submitted annually to the Department's Operations Review and Evaluation (OR&E) Division for review and acceptance or provide proof of acceptance by another cognizant agency audit. The OR&E Division will be responsible for ensuring that a current FAR audit is on file with the Department. A provisional overhead rate may be used in a contract until such time that the Consultant's annual overhead rate is audited and established.

Small purchase threshold contracts may follow a simplified acquisition. Therefore, the FAR auditing requirements are not required. However, if the audits are readily available, they should be used. The Department will keep on file the documents provided by the Consultant reflecting their calculation of the indirect cost rate for contracts meeting the small purchase threshold.

Schedule of Findings Federal Award Findings And Question Costs

Condition: Of the 42 consultant engineering firms tested, 27 did not have a FAR indirect cost rate reviewed and accepted by the Department's OR&E.

Cause: A FAR indirect cost rate audit has not been timely conducted for consultant contractors; consultant contractors have not provided FAR indirect cost rate audits to the Department's OR&E for timely review and acceptance; or reviews have not been completed by either the Department's OR&E or other cognizant agencies.

Effect: Without timely review and acceptance of consultant engineering FAR indirect cost rates, the Department may be billing Federal Highway and Administration for unallowable costs.

Recommendation: We recommend the department develop and implement internal controls to ensure the timely review and acceptance of consultant engineering FAR indirect cost rates.

Views of Responsible Official(s)

Contact Person: Raymond Sanders, Project Management Division Manager

Anticipated Completion Date: May 28, 2010

Corrective Action Planned:

Three firms have submitted a FAR audit of their indirect cost rate to the Department and they are in the process of being reviewed by OR&E Division.

Twelve of the firms received their first contract following the introduction of the Guidelines for the Administration of Consultant Contracts in 2009. Therefore, they may not yet have had an adequate opportunity to produce a FAR audit of their indirect cost rate.

Twelve of the firms are delinquent in providing either an initial FAR audit of their indirect cost rate or an updated annual FAR audit of their indirect cost rate.

The Department developed and implemented the Guidelines for the Administration of Consultant Contracts in June 2008. The guidelines outlined the requirement for a FAR audit of the consultants indirect cost rates. Due to the expense of the initial FAR audit, some of the smaller firms did not begin the process of obtaining an audit until they were selected for a contract. Each professional engineering contract contains language that specifies how indirect cost rates are utilized. This includes how un-audited indirect cost rates are applied until such time the FAR audit is completed. Therefore, any un-audited indirect cost rate included in a contract is considered provisional and subject to adjustment after the completion of the audit.

Project Management Division will correspond with each of the non-compliant firms and reiterate the requirement of a FAR audit of their indirect cost rate. The standard contract language will be updated to include an appropriate timeline for the submission of an audit of the firms indirect cost rate and this updated language will also outline potential penalties for non-compliance.

FINDING NO: 09-345-010

STATE AGENCY: Oklahoma Department of Transportation (ODOT)

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: 2009

CONTROL CATEGORY: Procurement, Suspension, and Debarment – Contract Engineers

Criteria: The 'Guidelines for the Administration of Consultant Contracts' dated June 26, 2008 and approved by the Federal Highway Administration states:

Schedule of Findings Federal Award Findings And Questioned Costs

Section 4.01 Short-List Development

The Department's Contract Administrator provides the Department Consultant Selection Committee's recommendations to the Director of Engineering and Chief Engineer for their approval.

Section 4.04 Interview Evaluation

Based upon the Department Consultant Selection Committee's evaluation of the proposals and oral presentations, a final ranking is established and recommended by the Department Consultant Selection Committee's to the Director and Chief Engineer for approval.

Condition: Of the 85 consultant engineering contracts tested, we noted:

- One instance in which proper approval of short-list was not made by the Chief Engineer.
- One instance in which proper approval of the Committee's recommendation letter was not made by the Director and Chief Engineer.

Cause: Proper review and approval was not obtained by appropriate Department personnel.

Effect: Without proper review and approval, procurement standards set by the qualifications-based selection procedures (Brooks Act) may not be followed.

Recommendation: We recommend the department develop and implement internal controls to ensure the proper review and approval of all documentation set forth in the 'Guidelines for the Administration of Consultant Contracts' dated June 26, 2008 and approved by the Federal Highway Administration and to ensure procurement of contract engineers follows the qualifications-based selection procedures (Brooks Act).

Views of Responsible Official(s)

Contact Person: Raymond Sanders, Project Management Division Manager

Anticipated Completion Date: Effective Immediately

Corrective Action Planned: The Department has reviewed the non-compliant files and confirmed that all the documents could not be found. We believe these documents were produced and the proper approvals were obtained and that the error was only in our filing system. During the time of these contracts, we had a high level of personnel turnover, which resulted in multiple people working on a single contract, generating inconsistencies in our filing system. Project Management Division's current process and filing system is designed to eliminate this problem. We believe that documents will be properly filed even if multiple employees are working on a single contract.

Summary Schedule of Prior Findings

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Note: Schedule is presented alphabetically by state agency.

Department of Education

Finding No: 08-265-001

CFDA NO: 84.357

Federal Agency: United States Department of Education

Control Category: Period of Availability

Questioned Costs: \$642,052

Finding Summary: During our testwork, we reviewed 44 administration expenditures and 11 claim adjustments recorded to the 2006 grant award and noted the following:

- Four claims totaling \$4,376.16 were not obligated within the period of availability or paid by the liquidation date of December 31, 2007.
- Eleven claims totaling \$471,675.71 were not paid by the liquidation date of December 31, 2007.
- Five claims totaling \$1,511.20 were not obligated within the period of availability.
- Two adjustments totaling \$164,489.55 were added to the 2006 grant with underlying claims that were not paid by the liquidation date of December 31, 2007.

Status: Corrected

Employment Security Commission

Finding No: 08-290-001

CFDA NO: 17.225

Federal Agency: Department of Labor

Control Category: Special Tests & Provisions – Employer Experience Rating

Questioned Costs: Undeterminable

Finding Summary: OESC uses a computer system to apply the rates based on the employer's benefit wage ratio and the State Experience Factor. During testwork, we discovered the table programmed into the system varied from the table provided by 40 O.S. §3-109.

Status: Partially corrected, current year finding 09-290-004. OESC hired the auditing firm Finley and Cook to look at the rates. They have completed the work. Our Legislative Liaison Officer will take the result to the Legislature in November when the session begins. Once that is done, the resolution will be completed.

Department of Health

Finding No: 04-340-001, 05-340-006, 06-340-008, 07-340-007, 08-340-001

CFDA: 93.283

Federal Agency: Department of Health and Human Services

Questioned Costs: \$12,831 for FY '04 & \$3,293 for FY '05

Control Category: Real Property and Equipment Management

Finding Summary: Based on tests of individual equipment items purchased, we noted instances where equipment was not recorded accurately, timely, or for an intended purpose of the program. In addition, although the Department performed a physical inventory count, the count had not been reconciled to the agency inventory records. Also, purchase order amounts are used to record equipment instead of actual costs and salvage value of all assets in the Department's inventory records were set at 10% of the items original value.

Status: Partially corrected, current year finding 09-340-005. The agency has conducted a physical inventory and reconciled to agency records. Receiving unit works diligently to record all asset purchases, transfers and transactions in a timely manner. Receiving unit is now working closely with accounts payable and has access to payment information, but reconciling differences between every asset purchase

Summary Schedule of Prior Findings

and payment must be done manually. Only when a single system is utilized for asset management will this issue be resolved along with the depreciation of assets. No change was possible in the surplus values during FY-2009.

Oklahoma Health Care Authority

REF No: 07-807-002, 08-807-010

CFDA: 93.778, 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: Based on internal control testing procedures, it appears OHCA is not mailing invoices within 60 days from the end of the quarter.

Status: Partially Corrected; current year finding 09-807-001. Technical (system) issues addressed in these findings have been resolved.

Finding No: 08-807-003

CFDA NO: 93.778, 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Cash Management

Questioned Costs: Medical Assistance Program \$128,948

Finding Summary: We noted two program draw and one administrative draw amounts were calculated incorrectly. One miscalculation occurred when making a reduction to a Title XXI (CFDA 93.767) program draw. Another program draw and one administrative draw were miscalculated when totaling the expenditures for Title XIX (CFDA 93.778).

Status: Not Corrected, current year finding is 09-807-002.

Finding No: 08-807-004

CFDA No: 93.778 and 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Questioned Costs: State Children's Insurance Program \$7,249

Finding Summary: We reviewed allocated costs for the quarter ending 03/31/2008; it appears the following cost objectives were calculated incorrectly:

	OHCA Calculation	SA&I Calculation	Difference
A8 Title XIX - General Administration	\$16,769,867.52	\$16,647,786.09	\$122,081.43
A13 Title XIX - Family Planning (90%)	\$24,166.81	\$25,018.08	(\$851.27)
A53 Title XIX - PASARR	\$127,809.72	\$127,191.06	\$618.66
A77 Title XIX - Drug Utilization Review	\$0.00	\$0.00	\$0.00
A83 Title XIX - MMIS 90%	\$303,548.09	\$327,761.58	(\$24,213.49)
534 Title XIX - MMIS 75%	\$1,345,292.86	\$1,507,925.84	(\$162,632.98)
Title XIX - SPMP	\$1,265,378.67	\$1,265,506.75	(\$128.08)
TOTAL TITLE XIX	<u>\$19,836,063.67</u>	<u>\$19,901,189.40</u>	<u>(\$65,125.73)</u>
A14 Title XXI - Medicaid Expansion	\$792,554.39	\$785,305.18	\$7,249.21
TOTAL TITLE XXI	<u>\$792,554.39</u>	<u>\$785,305.18</u>	<u>\$7,249.21</u>
GRAND TOTAL	<u>\$20,628,618.06</u>	<u>\$20,686,494.58</u>	<u>(\$57,876.52)</u>

Status: Corrected.

Summary Schedule of Prior Findings

Finding No: 08-807-005

CFDA NO: 93.778 and 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: Medical Assistance Program \$291 and State Children's Insurance Program \$39

Finding Summary: Based on a medical professional's review of medical records to support thirty physician services claims, we noted:

- Three claims where the services provided were not supported by medical records or other evidence indicating the service was actually provided. (Medical Assistance Program Questioned Costs \$69, SCHIP Questioned Costs \$39)
- Three claims were paid at a rate other than that allowed by the State Plan. (Medical Assistance Questioned Costs \$222)

Status: Corrected.

Finding No: 08-807-006

CFDA NO: 93.778, 93.767

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: Medical Assistance Program \$7,683 and State Children's Insurance Program \$1,581

Finding Summary: While performing analytical procedures on 83,174 MAP and 3,095 SCHIP physician service claims, we noted 82 MAP claims and 3 SCHIP claims that had an age specific procedure code and the recipient did not meet the age requirement. (MAP Questioned Costs \$7,683) (SCHIP Questioned Costs \$1,581)

Status: Not Corrected.

Auditor Response: We performed analytical procedures on 100% of the population for CFDA #s 93.767 and 93.778. Questioned costs (actual and projected) for CFDA #93.767 were \$0, and questioned costs (actual and projected) for CFDA #93.778 were \$8,293. Actual and projected questioned costs for both programs were below the \$10,000 threshold for a reportable finding. Therefore, there will be no repeat finding in the fiscal year 2009 Single Audit Report for the above noted condition.

Finding No: 08-807-008

CFDA NO: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: Medical Assistance Program \$56,908

Finding Summary: While performing analytical procedures on 45,317 home and community based waiver claims, we noted 246 claims that appear to have been improperly coded. These claims were coded with an age specific procedure code and the recipient did not meet the required age.

Status: Corrected.

- Amt Questioned \$158.00 – it is not cost effective to process this recovery.
- Amt questioned \$5,400.00 & \$51,350.00 – allowable services were rendered, the provider billed the incorrect code; codes S5140 & S5145 pay the same rate, therefore there is no overpayment. Provider education has been completed.

Finding No: 08-807-009

CFDA NO: 93.778

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: Medical Assistance Program \$61

Finding Summary: Based on a medical professional's review of medical records to support thirty clinic services claims, we noted one claim where the medical records did not support the services provided.

Status: Corrected.

Summary Schedule of Prior Findings

Finding No: 08-807-011

CFDA No: 93.767

Federal Agency: U.S. Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$803

Finding Summary: Based on a medical professional's review of medical records to support thirty dental services claims, we noted the following exceptions:

- Six claims where the services provided were not supported by medical records or other evidence indicating the service was actually provided. (Questioned Costs \$558)
- Three claims where the services provided do not appear to be medically necessary. (Questioned Costs \$232)
- Two claims where the services provided was not properly coded based on the recipient's medical diagnosis. (Questioned Costs \$13)

Status: Corrected.

Department of Human Services

Finding No: 04-830-017, 05-830-004, 06-830-016, 07-830-007, 08-830-017

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: During our testwork we noted there is no distinction made as to whether TANF funds are paying for daycare expenditures that meet the definition of assistance or non-assistance.

Status: Corrected.

Finding No: 04-830-019, 05-830-011, 06-830-011, 07-830-003, 08-830-012

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$1,640 for FY '04, \$142 for FY '05, \$545 for FY '06, \$2,409 for FY '07, and \$1,164 for FY '08

Finding Summary: From review of Area case files, we noted the following: case files that did not contain an application for the time period in which the benefit was received; case files did not have a copy of the bill filed in the case record; case files did not have a completed checklist for walk-in applications; case files that could not be located; and case files where the individual was pre-authorized to receive LIHEAP benefits; however, no pre-authorization letter (37-K) was sent to the individual. Additionally, based on review of cases from the "Cases Selected to Receive LIHEAP 37-K" report, it appears no pre-authorization letters were sent to any of the individuals.

Status: Partially corrected, current year finding # 09-830-020. OKDHS recognizes the importance of maintaining documentation of case records. FSSD LIHEAP staff will continue to emphasize the importance of maintaining LIHEAP applications and supporting documentation in the case record through program instructions and training materials.

Finding No: 04-830-032, 05-830-012, 06-830-010, 08-830-012

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Eligibility/Activities Allowed or Unallowed/Reporting

Questioned Costs: \$8,864 for FY '04, \$11,848 for FY '05, \$400 for FY '06, and \$1,164 for FY '08

Finding Summary: During analytical procedure testing, we noted the following: cases that appeared to have received the incorrect payment amount or received benefits when their household income was greater than the allowable rate; cases that appeared to have received duplicate payments; cases where there was no LIHEAP application to support the eligibility determination; cases where we did not find a copy of the bill filed in the case record; two "N" type cases that did not have a LIHEAP checklist for walk-in applications and noted no documentation supporting the verification of income; one case file where we were unable to

Summary Schedule of Prior Findings

obtain the case file supporting the eligibility determination; cooling recipients appeared to have received payments for natural gas; and cooling recipients appeared to have received payments for firewood.

Status: Partially corrected, current year finding # 09-830-020. OKDHS recognizes the importance of maintaining documentation of case records. FSSD LIHEAP staff will continue to emphasize the importance of maintaining LIHEAP applications and supporting documentation in the case record through program instructions and training materials.

Finding No: 06-830-012, 07-830-017, 08-830-005

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: We selected cases from Section One of the TANF ACF-199 Data Report and traced the data included in the report to case file information for the critical line items as defined by the Compliance Supplement. We noted cases that were not exempt from federal time limit provisions; however, some of the monthly benefit payments were not counted toward the federal time limit.

Status: Corrected.

Finding No: 07-830-009, 08-830-003

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$1,408 for FY '07 and \$1,298 for FY '08

Finding Summary: From the counties located in Area 3, we identified 91 cases that received TANF benefits for more than 60 months. We sampled 23 cases for testing and noted two cases where the client received benefits for more than 60 months without applying for a hardship extension. From the counties located in Areas 2 and 4, we identified 18 cases that received TANF benefits for more than 60 months. We tested all 18 cases and noted two cases where the client received benefits for more than 60 months without applying for a hardship extension or an additional hardship extension. One case did not contain documentation of an application for a hardship extension (Form TW-24) and one case did not contain documentation of a review for an additional hardship extension (Form TW-25).

Status: Not corrected, current year finding #09-830-033. These findings will be discussed and presented as Top Issues Document with field liaisons for all six OKDHS areas at the February 2010 Field Liaison Meeting. Overpayments will be requested from county staff and established by the State Office Overpayment Section by May 3, 2010.

Finding No: 07-830-013, 08-830-007

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$9,155 for FY '07 and \$348 for FY '08

Finding Summary: From the Area 2, Area 3 and Area 4 populations for testing, we noted the following during eligibility testwork of 40 cases each year:

1. Three cases in which no case file was provided by the county office.
2. Four cases in which no TANF application or review was found for the time period tested in the case file provided by the county office.
3. One case in which no TANF re-determination was found for the time period tested in the case file provided by the county office.
4. One case in which no TANF eligibility review or re-determination was found for the time period tested in the case file provided by the county office.

Status: Not corrected, current year finding #09-830-023. This finding will be discussed and presented as a Top Issue with field liaisons during the February 24, 2010 FSSD Field Liaison meeting. We do agree on four of the cases noted there was no paper application/review form in the case record.

Summary Schedule of Prior Findings

Finding No: 07-830-015, 08-830-015

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Income Eligibility and Verification Systems

Finding Summary: We performed testwork on the G1DX Exception Report. We noted the following exceptions that were not cleared within the allowable 30 days per OKDHS policy:

2007

Error Type	G1DX TOTAL EXCEPTIONS	G1DX EXCEPTIONS OVER 30 DAYS	% OF EXCEPTIONS OVER 30 DAYS
BEN	10,071	1,241	12.33%
IEVDX	20,425	1,889	9.25%
OWGD	12,466	1,809	14.51%
SDX	23,175	2,168	9.38%
SNH	34,179	4,103	12.00%
UIB01	3,127	332	10.62%
TOTAL	103,443	11,542	11.16%

2008

Error Type	G1DX TOTAL EXCEPTIONS	G1DX EXCEPTIONS OVER 30 DAYS	% OF EXCEPTIONS OVER 30 DAYS
BEN	1,453	150	10.32%
IEVDX	688	156	22.67%
OWGD	3,205	671	20.94%
SDX	8,365	1,010	12.07%
SNH	7,247	1,310	18.08%
UIB	972	101	10.39%
TOTAL	21,930	3,398	15.49%

Status: Partially corrected, current year finding #09-830-027. Concur. In August, 2009 FSSD initiated a G1DX process improvement project aligned with an agency wide “Lean/Six Sigma” initiative. The goal of this project is to increase the effectiveness and efficiency of clearing discrepancies by automating processes and filtering out irrelevant items. Current process already utilizes the monitoring reports created for the G1DX discrepancies and are worked as promptly as workload allows. OKDHS policy is more stringent than the federal policy and the agency is still accomplishing a 91.16% accuracy rate within 30 days (OKDHS policy).

Finding No: 07-830-016, 08-830-020

CFDA: 93.767, 93.778

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$12,967

Finding Summary: During testwork of 90 recipient case files (45 MAP and 45 SCHIP), we noted the following instances of noncompliance:

Summary Schedule of Prior Findings

- For 6 of the 90 recipient case files selected for testing from Area 3, we were unable to obtain the case file supporting the eligibility determination.
- For 5 of the 90 recipient case files selected for testing from Area 3, the case file was provided; however, the determination which covered the time period when the service selected for testing was provided was not found in the case file.
- For 1 of the 90 recipient case files selected we were unable to conclude from the recipient case file documentation that the recipient was eligible to receive program benefits.
- For 1 of the 90 recipient case files we noted where the determination which covered the time period selected for testing was not found in the case file.

Status: Not corrected, current year finding #09-830-016. Concur. On the cases where either the case or application/review has been lost, we have discussed this with the county office and emphasized the importance of having the proper documentation in the case file.

Finding No: 08-830-002

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Period of Availability of Federal Funds

Finding Summary: During our testwork, we noted a transfer in the amount of \$2,580,717.39 from FY06 TANF grant funds to FY06 TANF Administration on June 28, 2007. We also noted these funds were then drawn the same day. Based upon follow-up discussions with the TANF program accountant, we determined this transfer and subsequent draw was for FY07 TANF non-assistance expenditures.

Status: Corrected.

Finding No: 08-830-006

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

Finding Summary: During our testing of internal controls over the OKDHS Work Verification Plan, we noted a lack of documentation to validate work participation data and for the reviews performed on work participation data used in calculating work participation rates.

Status: Corrected.

Finding No: 08-830-011

CFDA No: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

Finding Summary: From the population of 9,522 cases from Areas 2 and 4, we selected 45 cases for testing the Penalty for Failure to Comply with Work Verification Plan requirement and noted two cases where the work participation hours recorded on the ACF-199 report did not agree with the average work participation hours per week that were documented in the case file.

Status: Partially corrected, current year finding #09-830-035. This will be reported to the Area Director, Field Liaison, County Director and TANF supervisor. The subject of TW 13's and data entry will be discussed as a TOP TANF ISSUE at the March Field Liaison Meeting March 17, 2010.

Finding No: 08-830-013

CFDA No: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed

Questioned Costs: \$300

Finding Summary: We noted 581 cooling cases where the cooling benefit payment detail indicated no vendor or fuel type. After follow-up with agency personnel, we determined that these cooling benefit payments were sent directly to clients to purchase fans, air conditioning, or make repairs to cooling equipment. After further analyzing the benefit payment detail, we determined that 338 of these 581 cooling benefit payments (58.2%) were authorized by the same county office (McCurtain County). We selected 10

Summary Schedule of Prior Findings

of these cases for McCurtain County for further review and noted the following:

- For 7 of the 10 case files selected had a completed application for cooling assistance with an indication of a desire to purchase fan/air conditioner equipment; however, there was no purchase documentation (receipt) indicating that the purchase of this equipment was made. (Questioned Costs \$0)
- For 1 of the 10 case files had a completed application for cooling assistance with no indication of a desire to purchase fan/air conditioner equipment with the benefit funds and no purchase documentation (receipt) indicating that the purchase was made. (Questioned Costs \$0)
- For 2 of the 10 case files there was no FY08 LIHEAP cooling application included to support the eligibility determination. (Questioned Costs \$300)
- In addition to the above noted items, while looking in the selected case files, we also noted several instances where this type of benefit payment for the purchase of fan/air conditioner equipment was requested in different years by the same applicant. Although it is possible that the same person could need a replacement fan/air conditioner each year, this could also indicate that these direct payments to the client are being obtained and used for other purposes since purchase documentation is not required to obtain the benefit.

Status: Not corrected, current year finding #09-830-021. FSSD LIHEAP staff will consult with federal partners and agencies in other states regarding procedures for documentation for purchasing cooling equipment. FSSD LIHEAP staff conducted an informal audit of the 2008 summer cooling program and discovered a large portion of these issues are occurring in one area of the state. FSSD will continue to train LIHEAP staff on the importance of documentation.

Finding No: 08-830-016

CFDA No: 93.558, 93.568, 93.563, 93.658, 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Finding Summary: During testing of capital lease expenditures, we were unable to determine that the entire amount of the interest expense associated with the capital lease bond indebtedness was allowable.

Status: Not corrected, current year finding #09-830-013. We are currently working with our Information systems unit to develop this annual report. We are nearing completion of the project which will allow us to produce the report each year as required.

Department of Mental Health and Substance Abuse Services

Finding No: 02-452-009, 04-452-006IT, 05-452-002IT, 06-452-002IT, 07-452-001IT, 08-452-001IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: Procedures are not in place to monitor unauthorized access to data and/or programs for the ICIS/Fee for Service Applications.

Status: Partially corrected, see current year finding #09-452-001IT. We observed the “access control” system in operation and found it to be an excellent application in controlling access to the ICIS system and the information that is contained in that system. The development and implementation of this application does mitigate a number of concerns in the original finding, however, since the monitoring and reporting portion of this application is still under development, we are rating this as partially corrected.

Finding No: 02-452-012, 04-452-007IT, 05-452-003IT, 06-452-003IT, 07-452-002IT, 08-452-002IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: Policies and procedures do not exist for the following areas:

- Developer and support services access rights and responsibilities
- Remote access assignment, control and monitoring

Summary Schedule of Prior Findings

Status: Corrected.

Finding No: 07-452-001, 08-452-002

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: During our testwork of the Annual SYNAR Report for FFY2007 & FFY 2008, we noted the following:

- For one outlet, the reported 'Number of Sample Outlets Inspected' in SSES Table 2, for the strata to which it belonged, was not supported by the Synar Compliance Sample List.
- For one outlet, a variance regarding eligibility status exists between the Oklahoma Synar Survey Inspection Form and the data reported in Synar Compliance Sample List and in SSES Table 2
- For 6 of the 55 sample stratum, the counts reported in the 'Outlet Sample Size', 'Number of Eligible Outlets in Sample', 'Number of Sample Outlets Inspected' and/or 'Number of Sample Outlets in Violation' columns do not trace to the supporting Synar Compliance Sample List.
- For 2 of the 38 inspections selected for testing, the supporting Synar Survey Inspection Form indicates that the outlet could not be inspected at the time of the visits. However, the outlets are reflected as having been inspected in the SSES Table 2 of the FY 2008 Annual Synar Report.
- The errors noted in bullets 3 & 4 above caused the SSES Table 2 Totals and Retailer Violation Rates to be incorrect.

Status: Not corrected, see current year finding #09-452-001. In response to item number one, the Synar Compliance Sample List is the format in which ODMHSAS notifies ABLE of the outlets included in the sample. ABLE uses this list to assign agents and track progress in each stratum as the inspections are being completed. Compliance outcomes noted on the list are made by ABLE and are part of their internal tracking system. Once this list is returned to ODMHSAS, it is used only as a reference tool and not for official data entry purposes. All information that is required for the Annual Synar Report is entered into the Synar Survey Estimation System (SSES) directly from the inspection forms. The official outcomes are summarized in full on Table 5 of the Results data set (SSES generated tables) and correlates with both the inspection forms and Table 2. To reduce confusion and increase accuracy, ODMHSAS will make Table 5 available for future audits. For item number two, the two outlets cited were coded as I1 (out of business). The retail locations were visited by the officers but no tobacco purchase attempt was made. For item number three, it was determined between ODMHSAS and the ABLE Commission that since there was no cost or defendant information entered the response would be indicated as "non-successful". ODMHSAS will discuss these findings with the ABLE Commission to determine if new written procedures are necessary. Training occurs minimally every year between ODMHSAS and the ABLE Commission.

Finding No: 07-452-004IT, 08-452-003IT

CFDA: 93.959

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: The agency does not have a quality assurance program to adequately review projects ensuring that they meet user requirements and agency standards.

Status: Partially corrected, see current year finding #09-452-002IT. As of 09/01/09, position descriptions have been written, but funding for a position has not been approved because of Department budget cuts.

Oklahoma Military Department

Finding No: 07-025-003

CFDA No: 12.401

Federal Agency: Department of Defense, National Guard Bureau

Control Category: Equipment and Real Property

Summary Schedule of Prior Findings

Finding Summary: Based on procedures performed, we noted the following:

The Oklahoma Military Department is maintaining an inventory list; however, we were unable to determine that the inventory listing was complete. Supporting documentation of inventory purchases were not maintained in the inventory files. The agency is maintaining a list of surplus property disposed of by the Department; however, the list does not include where the property is maintained, purchase price, when sold or selling price, if transferred to which state agency or authorized entity, and if otherwise disposed of, what manner.

Status: Corrected.

Finding No: 08-025-001

CFDA NO: 12.401

Federal Agency: U.S. Department of Defense, National Guard Bureau

Control Category: Equipment and Real Property

Finding Summary: Based on information provided by the Oklahoma Military Department, it appears the most recent Federal site audit was performed in July/August 2006 on the Youth Challenge program, which is not part of the O&M Projects. Based on testwork performed at the Oklahoma Military Department, it appears two items from the inventory listing could not be located.

Status: Corrected.

Department Of Rehabilitation Services

Finding No's: 00-805-005, 01-805-001, 02-805-001, 03-805-001, 04-805-009, 05-805-002, 06-805-002, 07-805-001, 08-805-001

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Cash Management

Finding Summary: During testing, we noted the Department did not have adequate documentation supporting their draws. In addition, the Department is not requesting funds on the fifteenth of the month (or the closest working day) or adjusting to actual on a quarterly basis as required by the CMIA agreement.

Status: Corrected. Special attention has been dedicated to the cash management issues. Documentation for each draw is available and is compiled in a timely and accurate manner. Draws are performed in a timely manner to comply with the agreement.

Finding No: 07-805-003, 08-805-004

CFDA: 84.126

Federal Agency: US Department of Education

Control Category: Allowable Costs/Cost Principles

Finding Summary: During testing of the direct payroll certifications, we noted the following:

- We were unable to obtain the payroll certifications for SFY07 for 4 of the 45 direct employees selected for testing.
- We were unable to obtain the payroll certifications for the 7/1/06-12/31/06 period for 11 of the 45 direct employees selected for testing.
- The payroll certifications for 1/1/08 to 6/30/08 were not completed in a timely manner for 13 of the 60 direct employees selected for testing.

Status: Not corrected, current year finding 09-805-004. The instructions were amended and additional improvements were made to the electronic system to enhance the intended performance of the system. Financial staff continue to monitor the certifications filings.

Finding No: 07-805-004, 08-805-002

CFDA: 84.126

Federal Agency: US Department of Education

Questioned Costs: \$21,986 for FY '07 and \$1,691 for FY '08

Control Category: Eligibility and Activities Allowed or Unallowed

Summary Schedule of Prior Findings

Finding Summary: Of the Vocational Rehabilitation/Visual Services case files tested, we noted the following:

- In four of the forty cases files selected for testing, the eligibility determination was not made within 60 days after the individual submitted the application for service. Additionally, in one of these four cases, an award letter was not obtained for the client receiving Social Security Disability benefits.
- In one of the forty cases selected for testing, an Individualized Plan for Employment was not prepared for the client and the client received services after the case was closed.
- In three of the forty cases selected for testing, the client did not provide a grade report at the end of the semester verifying a satisfactory passing grade in all courses paid by the Department.
- In two of the forty cases selected for testing, an award letter was not obtained for the client receiving Social Security Disability benefits and the VR Specialists did not verify the benefits were being received through their liaison to the Social Security Administration.
- In one of the forty cases selected for testing, the case file was not provided for testing by the Department.
- In three out of sixty case files tested the file did not contain a copy of the specified claim/authorization number and supporting documentation.

Status: Partially corrected, current year finding 09-805-005. Case files were amended to include necessary documents and processes were reviewed with staff in accordance with the initial corrective action plan.

Finding No: 08-805-003

CFDA NO: 84.126

Federal Agency: US Department of Education

Control Category: Eligibility

Finding Summary: During our testwork for the eligibility requirement, we noted one out of twenty-one closed case files reviewed did not contain evidence of a supervisory review and/or approval. Case #54351 was closed on May 19, 2008, and the case closure document was not signed by the supervisor to indicate their review and approval.

Status: Corrected. Case files were amended to include necessary documents and processes were reviewed with staff in accordance with the initial corrective action plan.

Department Of Transportation

Finding No: 05-345-011, 06-345-005, 07-345-001, 08-345-001

CFDA: 20.205

Federal Agency: Department of Transportation

Control Category: Davis-Bacon Act

Finding Summary: For the projects tested, we noted instances where there were no payroll reports in the documentation provided by management for the weeks in which payroll reports were expected. There were also instances where the expected payroll reports were not received by the Department within two weeks of the end of the payroll reporting period. There was no evidence in the documentation provided that management had followed up with the contractors regarding the missing payroll reports in accordance with the Department's control directive. We also observed payroll reports that did not indicate the date they were received by the Department; payrolls that did not contain the daily hours worked and no notice was sent to the contractor to correct the deficiency; missing wage-rate interviews; wage rate interviews that lacked the required payroll review; payroll records that had gaps during which it was unclear whether work was performed; and payroll projects that were not certified. In addition, we noted inconsistencies between data reported in SiteManager and what was present in the actual project files.

Status: Corrected. ODOT continues to monitor the provisions of Davis-Bacon to ensure compliance by employees.

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Attorney General

16.582 Crime Victim Assistance/Discretionary Grants
16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders
16.740 Statewide Automated Victim Information Notification (SAVIN) Program
93.671 Family Violence Prevention and Services - Grants for Battered Women's Shelters - Grants to States and Indian Tribes
93.775 State Medicaid Fraud Control Units

Agriculture, Department of

10.025 Plant and Animal Disease, Pest Control, and Animal Care
10.069 Conservation Reserve Program
10.163 Market Protection and Promotion
10.169 Specialty Crop Block Grant
10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection
10.652 Forestry Research
10.664 Cooperative Forestry Assistance
10.676 Forest Legacy Program
10.677 Forest Land Enhancement Program
10.912 Environmental Quality Incentives Program
66.608 Environmental Information Exchange Network Grant Program and Related Assistance
66.700 Consolidated Pesticide Enforcement Cooperative Agreements
66.714 Pesticide Environmental Stewardship Regional Grants

Boll Weevil Eradication Organization

10.025 Plant and Animal Disease, Pest Control, and Animal Care

Career and Technology Education, Department of

12.002 Procurement for Technical Assistance for Business Firms
17.261 WIA Pilots, Demonstrations, and Research Projects
84.048 Career and Technical Education - Basic Grants to States
84.243 Tech Prep Education

Central Services, Department of

39.003 Donation of Federal Surplus Personal Property

Commerce, Department of

10.664 Cooperative Forestry Assistance
11.307 Economic Adjustment Assistance
14.228 Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii
14.231 Emergency Shelter Grant Program
14.238 Shelter Plus Care
17.258 WIA Adult Program
17.258 ARRA - WIA Adult Program
17.259 WIA Youth Activities
17.259 ARRA - WIA Youth Activities
17.260 WIA Dislocated Workers
17.260 ARRA - WIA Dislocated Workers
17.261 WIA Pilots, Demonstrations, and Research Projects
17.267 Incentive Grants - WIA Section 503
17.268 H-1B Job Training Grants
81.041 State Energy Program
81.041 ARRA - State Energy Program
81.042 Weatherization Assistance for Low-Income Persons
81.042 ARRA - Weatherization Assistance for Low-Income Persons
81.117 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance
93.569 Community Services Block Grant
93.569 ARRA - Community Services Block Grant
93.600 Head Start

Conservation Commission

10.902 Soil and Water Conservation
15.252 Abandoned Mine Land Reclamation (AMLR) Program
15.628 Multistate Conservation Grant Program

Corporation Commission

- Cost Reimbursement Contract - CVISION and PRISM
20.700 Pipeline Safety Program Base Grants
66.433 State Underground Water Source Protection
66.804 State and Tribal Underground Storage Tanks Program
66.805 Leaking Underground Storage Tank Trust Fund Program
66.817 State and Tribal Response Program Grants

Corrections, Department of

16.202 Prisoner Reentry Initiative Demonstration (Offender Reentry)
16.606 State Criminal Alien Assistance
84.331 Grants to States for Incarcerated Youth Offenders

Schedule of Federal Programs by State Agency

District Attorneys Council

16.554 National Criminal History Improvement Program (NCHIP)
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants
16.575 Crime Victim Assistance
16.576 Crime Victim Compensation
16.579 Edward Byrne Memorial Formula Grant Program
16.588 Violence Against Women Formula Grants
16.590 Grants to Encourage Arrest Policies and Enforcement of Protection Orders
16.593 Residential Substance Abuse Treatment for State Prisoners
16.609 Community Prosecution and Project Safe Neighborhoods
16.738 Edward Byrne Memorial Justice Assistance Grant Program
16.744 Anti-Gang Initiative

Education, Department of

10.553 School Breakfast Program
10.555 National School Lunch Program
10.556 Special Milk Program for Children
10.558 Child and Adult Care Food Program
10.559 Summer Food Service Program for Children
10.560 State Administrative Expenses for Child Nutrition
10.582 Fresh Fruit and Vegetable Program
12.404 National Guard Civilian Youth Opportunities Program
84.002 Adult Education - Basic Grants to States
84.010 Title I Grants to Local Educational Agencies
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
84.011 Migrant Education-Basic State Grant Program
84.013 Title I Program for Neglected and Delinquent Children
84.027 Special Education-Grants to States
84.391 ARRA - Special Education Grants to States, Recovery Act
84.173 Special Education - Preschool Grants
84.392 ARRA - Special Education Preschool Grants, Recovery Act
84.181 Special Education-Grants for Infants and Families
84.393 ARRA - Special Education Grants for Infants and Families, Recovery Act
84.185 Byrd Honors Scholarships
84.186 Safe and Drug-Free Schools and Communities - State Grants
84.196 Education for Homeless Children and Youth
84.213 Even Start - State Educational Agencies
84.287 Twenty-First Century Community Learning Centers
84.298 State Grants for Innovative Programs
84.318 Education Technology State Grants
84.323 Special Education - State Personnel Development
84.348 Title I Accountability
84.357 Reading First State Grants
84.358 Rural Education
84.365 English Language Acquisition Grants
84.366 Mathematics and Science Partnerships
84.367 Improving Teacher Quality State Grants
84.369 Grants for State Assessments and Related Activities
93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems
94.005 Learn and Serve America - Higher Education
94.013 Volunteers in Service to America

Election Board, State

39.011 Election Reform Payments
90.401 Help America Vote Act Requirement Payments
93.617 Voter Access for Individuals with Disabilities

Emergency Management, Department of

20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants
97.023 Community Assistance Program State Support Services Element (CAP-SSSE)
97.027 Emergency Management Institute (EMI)_Independent Study Program
97.032 Crisis Counseling
97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039 Hazard Mitigation Grant
97.046 Fire Management Assistance Grant
97.047 Pre-Disaster Mitigation
97.053 Citizens Corp
97.070 Map Modernization Management Support
97.092 Repetitive Food Claims

Schedule of Federal Programs by State Agency

Employment Security Commission

17.002	Labor Force Statistics
17.207	Employment Service/Wagner-Peyser Funded Activities
17.207	ARRA - Employment Service/Wagner-Peyser Funded Activities
17.225	Unemployment Insurance
17.225	ARRA - Unemployment Insurance
17.235	Senior Community Service Employment Program
17.235	ARRA - Senior Community Service Employment Program
17.245	Trade Adjustment Assistance
17.260	WIA Dislocated Workers
17.266	Work Incentive Grants
17.271	Work Opportunity Tax Credit Program (WOTC)
17.273	Temporary Labor Certification for Foreign Workers
17.801	Disabled Veterans' Outreach Program (DVOP)
17.804	Local Veterans' Employment Representative Program

Environmental Quality, Department of

12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services
14.218	Community Development Block Grants/Entitlement Grants
15.616	Clean Vessel Act
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act
66.040	State Clean Diesel Grant Program
66.468	Capitalization Grants for Drinking Water State Revolving Fund
66.471	State Grants to Reimburse Operators Of Small Water Systems for Training and Certification Costs
66.474	Water Protection Grants to the States
66.605	Performance Partnership Grants
66.606	Surveys, Studies, Investigations and Special Purpose Grants
66.608	Environmental Information Exchange Network Grant Program and Related Assistance
66.708	Pollution Prevention Grants Program
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements
66.802	ARRA - Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements
66.811	Brownfields Pilots Cooperative Agreements
66.817	State and Tribal Response Program Grants

Health, Department of,

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
66.716	Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies
93.069	Public Health Emergency Preparedness
93.110	Maternal and Child Health Federal Consolidated Programs
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices
93.136	Injury Prevention and Control Research and State and Community Based Programs
93.161	Health Programs for Toxic Substances and Disease Registry
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children
93.217	Family Planning Services
93.234	Traumatic Brain Injury State Demonstration Grant Program
93.235	Abstinence Education Program
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement
93.251	Universal Newborn Hearing Screening
93.262	Occupational Safety & Health Program
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.296	State Partnership Grant to Improve Minority Health
93.590	Community-Based Child Abuse Prevention Grants
93.773	Medicare - Hospital Insurance
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.940	HIV Prevention Activities - Health Department Based
93.944	Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance
93.945	Assistance Programs for Chronic Disease Prevention and Control
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems
93.991	Preventive Health and Health Services Block Grant
93.994	Maternal and Child Health Services Block Grant to the States
-	X-Ray Inspections
-	Clinical Laboratory Improvement Amendments

Historical Society

15.904	Historic Preservation Fund Grants-In-Aid
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Human Rights Commission

14.401	Fair Housing Assistance Program-State and Local
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts

Schedule of Federal Programs by State Agency

Human Services, Department of

10.551 Supplemental Nutrition Assistance Program
10.551 ARRA - Supplemental Nutrition Assistance Program
10.555 National School Lunch Program
10.560 State Administrative Expenses for Child Nutrition
10.558 Child and Adult Care Food Program
10.559 Summer Food Service Program for Children
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.568 Emergency Food Assistance Program (Administrative Costs)
10.568 ARRA - Emergency Food Assistance Program (Administrative Costs)
10.569 Emergency Food Assistance Program (Food Commodities)
10.569 ARRA - Emergency Food Assistance Program (Food Commodities)
20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities
93.041 Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation
93.042 Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals
93.043 Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services
93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services
93.048 Special Programs for the Aging - Title IV and Title II - Discretionary Projects
93.051 Alzheimer's Disease Demonstration Grants to States
93.052 National Family Caregiver Support, Title III, Part E
93.053 Nutrition Services Incentive Program
93.086 Healthy Marriage Promotion and Responsible Fatherhood Grants
93.556 Promoting Safe and Stable Families
93.558 Temporary Assistance for Needy Families
93.563 Child Support Enforcement
93.563 ARRA - Child Support Enforcement
93.566 Refugee and Entrant Assistance - State Administered Programs
93.568 Low-Income Home Energy Assistance
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.597 Grants to States for Access and Visitation Programs
93.599 Chafee Education and Training Vouchers Program
93.601 Child Support Enforcement Demonstrations and Special Projects
93.603 Adoption Incentive Payments
93.630 Developmental Disabilities Basic Support and Advocacy Grants
93.643 Children's Justice Grants to States
93.645 Child Welfare Services - State Grants
93.652 Adoption Opportunities
93.658 Foster Care - Title IV - E
93.658 ARRA - Foster Care - Title IV-E
93.659 Adoption Assistance
93.659 ARRA - Adoption Assistance
93.667 Social Services Block Grant
93.669 Child Abuse and Neglect State Grants
93.674 Chafee Foster Care Independence Program
93.994 Maternal and Child Health Services Block Grant to the States
94.011 Foster Grandparent Program

Insurance Department

93.048 Special Programs for the Aging - Title IV and Title II - Discretionary Projects
93.779 CMS Research, Demonstrations and Evaluations

Labor, Department of

17.005 Compensation and Working Conditions
17.504 Consultation Agreements
66.701 Toxic Substances Compliance Monitoring Cooperative Agreements

Legislative Service Bureau

16.550 State Justice Statistics Program for Statistical Analysis Centers

Libraries, Department of

45.310 Grants to States
45.312 National Leadership Grant
89.003 National Historical Publications and Records Grants

Schedule of Federal Programs by State Agency

Mental Health and Substance Abuse, Department of

14.238 Shelter Plus Care
16.585 Drug Court Discretionary Grant Program
84.186 Safe and Drug-Free Schools and Communities - State Grants
93.087 Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse
93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances
93.150 Projects for Assistance in Transition from Homelessness (PATH)
93.230 Consolidated Knowledge Development and Application
93.242 Mental Health Research Grants
93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance
93.275 Substance Abuse and Mental Health Services - Access to Recovery
93.958 Block Grants for Community Mental Health Services
93.959 Block Grants for Prevention and Treatment of Substance Abuse
- Implementation Alcohol Drug Data Collection
- State Outcome Measurement & Management System
- State Epidemiological Outcomes Workgroup
- CSAP Prevention Fellowship
- Client Level Projects

Military Department

12.400 Military Construction, National Guard
12.401 National Guard Military Operations and Maintenance (O&M) Projects
12.404 National Guard Civilian Youth Opportunities Program

Mines, Department of

15.250 Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
17.600 Mine Health and Safety Grants

Narcotics/Dangerous Drugs Control

16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program
16.710 Public Safety Partnership and Community Policing Grants
94.006 AmeriCorps
- High Intensity Drug Trafficking Area
- Marijuana Eradication Suppression Program

Office of Disability Concerns

84.161 Rehabilitation Services-Client Assistance Program

Office of Juvenile Affairs

16.523 Juvenile Accountability Block Grants
16.540 Juvenile Justice and Delinquency Prevention - Allocation to States
16.548 Title V - Delinquency Prevention Program

Oklahoma Aeronautics Commission

20.106 Airport Improvement Program

Oklahoma Health Care Authority

93.767 Children's Health Insurance Program
93.777 State Survey and Certification of Health Care Providers and Suppliers
93.778 Medical Assistance Program
93.778 ARRA - Medical Assistance Program
93.790 Alternate Non-Emergency Service Providers or Networks
93.791 Money Follows the Person Rebalancing Demonstration
97.793 Medicaid Transformation Grant

Oklahoma Space Industry Development Authority

43.001 Aerospace Education Services Program

Public Safety, Department of

11.555 Public Safety Interoperable Communications Grant Program
16.727 Enforcing Underage Drinking Laws Program
20.218 National Motor Carrier Safety
20.232 Commercial Drivers License State Programs
20.234 Safety Data Improvement Program
20.600 State and Community Highway Safety
20.601 Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grants
20.609 Safety Belt Performance Grant
20.610 State Traffic Safety Information System Improvement Grants
20.612 Incentive Grant Program to Increase Motorcyclist Safety
97.001 Interoperable Communications Equipment Grant
97.008 Urban Areas Suburban Initiative
97.012 Boating Safety Financial Assistance
97.042 Emergency Management Performance Grants
97.067 Homeland Security Grant
97.071 Metropolitan Medical Response System
97.073 State Homeland Security Program (SHSP)
97.074 Law Enforcement Terrorism Prevention Program (LETPP)
97.078 Buffer Zone Protection Program

Schedule of Federal Programs by State Agency

Rehabilitation Services, Department of

20.514 Public Transportation Research
84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
84.390 ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act
84.169 Independent Living - State Grants
84.177 Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind
84.187 Supported Employment Services for Individuals with Significant Disabilities
84.265 Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training
96.001 Social Security - Disability Insurance

State Arts Council

45.025 Promotion of the Arts-Partnership Agreements

State Auditor and Inspector

15.222 Cooperative Inspection Agreements with States and Tribes

State Bureau of Investigation

16.543 Missing Children's Assistance
16.560 National Institute of Justice Research, Evaluation, and Development Project Grants
16.741 Forensic DNA Backlog Reduction Program
16.743 Forensic Casework DNA Backlog Reduction
16.748 Convicted Offender and/or Arrestee DNA Backlog Reduction Program

Supreme Court

93.586 State Court Improvement Program

Tourism & Recreation, Department of

15.622 Sportfishing and Boating Safety Act
15.916 Outdoor Recreation-Acquisition, Development and Planning
20.219 Recreational Trails Program

Transportation, Department of

20.205 Highway Planning and Construction
20.205 ARRA - Highway Planning and Construction
20.237 Commercial Vehicle Information Systems and Networks
20.509 Formula Grants for Other Than Urbanized Areas

Veterans Affairs, Department of

64.005 Grants to States for Construction of State Home Facilities
64.015 Veterans State Nursing Home Care
64.124 All-Volunteer Force Educational Assistance

Water Resources Board

15.504 Water Reclamation and Reuse Program
15.506 Water Desalination Research and Development Program
66.419 Water Pollution Control State, Interstate, and Tribal Program Support
66.436 Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act
66.454 Water Quality Management Planning
66.458 Capitalization Grants for Clean Water State Revolving Funds
66.46 Nonpoint Source Implementation Grants
66.461 Regional Wetland Program - Development Grants
66.463 Water Quality Cooperative Agreements
66.709 Multi-Media Capacity Building Grants for States and Tribes
97.041 National Dam Safety Program

Wildlife, Department of

10.025 Plant and Animal Disease, Pest Control, and Animal Care
10.028 Wildlife Services
10.902 Soil and Water Conservation
15.517 Fish and Wildlife Coordination Act
15.605 Sport Fish Restoration
15.611 Wildlife Restoration
15.615 Cooperative Endangered Species Conservation Fund
15.626 Hunter Education and Safety Program
15.631 Partners for Fish and Wildlife
15.633 Landowner Incentive Program
15.634 State Wildlife Grants
- McGee Creek Project

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Selected Activities for Internal Service Type Funds

Selected Activities for Internal Service Type Funds

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2009

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 8,894,799	\$ 108,061,528	\$ 29,480,394	\$ 55,255,882	\$ 201,692,603
Total Expenditures	11,627,053	212,531,116	30,446,485	48,649,719	303,254,373
Revenues Over (Under) Expenditures	(2,732,254)	(104,469,588)	(966,091)	6,606,163	(101,561,770)
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	3,161,197	3,161,197
Operating Transfers Out	-	-	-	-	-
Bond Proceeds	-	61,392,461	-	-	61,392,461
Premium from Bond Issue	-	469,380	-	-	469,380
Discount on Bond Issue	-	(479,006)	-	-	(479,006)
Total Other Financing Sources (Uses)	-	61,382,835	-	3,161,197	2,161,230
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,732,254)	(43,086,753)	(966,091)	9,767,360	(37,017,738)
Fund Balances - Beginning of Year	7,901,526	655,147,933	9,664,480	65,201,666	737,915,605
Fund Balances - End of Year	\$ 5,169,272	\$ 612,061,180	\$ 8,698,389	\$ 74,969,026	\$ 700,897,867

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2009

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2008					
Ending Fund Balance	\$ 7,901,526	652,675,016	9,664,480	65,203,617	735,444,639
July 1, 2008					
Beginning Fund Balance	7,901,526	655,147,933	9,664,480	65,201,666	737,915,605
Cash Basis Data -					
FY 2009 Revenues	\$ 8,894,799	\$ 108,061,528	\$ 29,480,394	\$ 55,255,882	\$ 201,692,603
FY 2009 Expenditures	11,627,053	212,531,116	30,446,485	48,649,719	303,254,373
FY 2008 Revenues	\$ 7,541,485	\$ 143,248,377	\$ 24,886,304	\$ 51,693,664	\$ 227,369,830
FY 2008 Expenditures	7,473,315	226,944,763	25,059,214	48,623,628	308,100,920
FY 2007 Revenues	\$ 7,110,338	\$ 169,458,810	\$ 26,719,523	\$ 40,221,164	\$ 243,509,835
FY 2007 Expenditures	7,623,130	223,020,868	26,436,002	18,162,879	275,242,879
FY 2006 Revenues	\$ 6,914,726	\$ 149,239,048	\$ 19,178,018	\$ 40,108,467	\$ 215,440,259
FY 2006 Expenditures	6,200,696	149,008,027	22,251,178	34,872,080	212,331,981
FY 2005 Revenues	\$ 6,221,675	\$ 48,687,359	\$ 22,381,255	\$ 39,420,518	\$ 116,710,807
FY 2005 Expenditures	6,058,374	61,086,111	20,778,987	58,099,105	146,022,577
FY 2004 Revenues	\$ 6,681,226	\$ 34,588,139	\$ 16,696,278	\$ 43,158,953	\$ 101,124,596
FY 2004 Expenditures	5,376,259	93,923,582	19,092,697	16,974,235	135,366,773
FY 2003 Revenues	\$ 7,958,873	\$ 105,418,792	\$ 18,799,319	\$ 33,638,353	\$ 165,815,337
FY 2003 Expenditures	6,484,542	133,962,684	18,641,469	28,438,516	187,527,211
FY 2002 Revenues	\$ 6,655,452	\$ 100,839,257	\$ 21,109,749	\$ 31,227,073	\$ 159,831,531
FY 2002 Expenditures	7,142,155	206,866,678	15,710,229	22,895,889	252,614,951
FY 2001 Revenues	\$ 6,953,009	\$ 385,493,871	\$ 18,786,750	\$ 26,727,356	\$ 437,960,986
FY 2001 Expenditures	6,512,837	375,044,970	16,401,905	22,925,119	420,884,831
FY 2000 Revenues	\$ 7,088,960	\$ 413,990,357	\$ 21,242,630	\$ 24,635,015	\$ 466,956,962
FY 2000 Expenditures	5,227,259	450,125,696	15,902,079	21,724,429	492,979,463

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2009

Trend Analysis

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2009 Revenue to Prior Years'				
FY08	117.94%	75.44%	118.46%	106.89%
FY07	125.10%	63.77%	110.33%	137.38%
FY06	128.64%	72.41%	153.72%	137.77%
FY05	142.96%	221.95%	131.72%	140.17%
FY04	133.13%	312.42%	176.57%	128.03%
Comparison of FY 2009 Expenditures to Prior Years'				
FY08	155.58%	93.65%	121.50%	100.05%
FY07	152.52%	95.30%	115.17%	1267.85%
FY06	187.51%	142.63%	136.83%	139.51%
FY05	191.92%	347.92%	146.53%	83.74%
FY04	216.27%	226.28%	159.47%	286.61%
Revenues expressed as a percent of expenditures				
FY 09	76.50%	50.85%	96.83%	113.58%
FY08	100.91%	63.12%	99.31%	106.31%
FY07	93.27%	75.98%	101.07%	221.45%
FY06	111.52%	100.16%	86.19%	115.02%
FY05	102.70%	79.70%	107.71%	67.85%
FY04	124.27%	36.83%	87.45%	254.26%
FY03	122.74%	78.69%	100.85%	118.28%
FY02	93.19%	48.75%	134.37%	136.39%
FY01	106.76%	102.79%	114.54%	116.59%
FY00	135.62%	91.97%	133.58%	113.40%



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