

OKLAHOMA 2001

Single Audit Report For The Fiscal Year Ended June 30, 2001

Prepared by
Office of State Auditor and Inspector

Clifton H. Scott
State Auditor and Inspector



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

CLIFTON H. SCOTT
STATE AUDITOR AND INSPECTOR

2300 NORTH LINCOLN BLVD.
100 STATE CAPITOL
OKLAHOMA CITY, OK 73105-4896
405/521-3495

April 25, 2002

**TO THE HONORABLE FRANK KEATING
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, 2001. 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 cursive script that reads "Clifton H. Scott".

CLIFTON H. SCOTT
State Auditor and Inspector

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*Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards*

*Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
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**To the Honorable Frank Keating, Governor
and Members of the Legislature of the
State of Oklahoma**

We have audited the basic financial statements of the State of Oklahoma as of and for the year ended June 30, 2001, and have issued our report thereon dated December 29, 2001, which included emphasis paragraphs on the unfunded actuarial accrued liability of the Teachers' Retirement System and the adoption of Governmental Accounting Standards Board Statement Numbers 33, 34, 35, 36, 37 and 38. We did not audit:

Government-wide Financial Statements

- the financial statements of the Department of Commerce, the Commissioners of the Land Office, the Department of Wildlife, and the Insurance Department which, in the aggregate, represent ten percent of the assets, one percent of the liabilities, one percent of the revenues, and two percent of the expenses of the Governmental Activities;
- the financial statements of the Water Resources Board which represents forty-eight percent of the assets and ninety-nine percent of the liabilities of the Business-type Activities;
- the financial statements of the discrete component units.

Fund Financial Statements

- the financial statements of the Department of Commerce, the Commissioners of the Land Office, the Department of Wildlife, and the Insurance Department which, in the aggregate, represent one percent of the assets, one percent of the liabilities, one percent of the revenues and two percent of the expenditures of the General Fund;
- the financial statements of the Commissioners of the Land Office Permanent Fund;
- the financial statements of the Department of Wildlife Lifetime Licenses Permanent Fund;
- the financial statements of the Water Resources Board Enterprise Fund;
- the financial statements of the Pension Trust Funds.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements of the State of Oklahoma, insofar as it relates to the amounts included for the above-mentioned entities, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Oklahoma's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of

noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 01-345-003, 01-345-004, and 01-345-011.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Oklahoma's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Oklahoma's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 01-090-010, 01-090-011, 01-740-026, 01-345-003, 01-345-004, 01-345-005, 01-345-008, 01-345-011, 01-345-018, 01-345-036, 01-345-037, and 01-345-038.

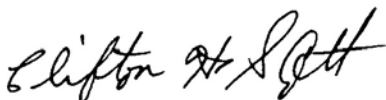
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 01-090-010, 01-090-011, 01-740-026, 01-345-004, 01-345-005, and 01-345-036 to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards Number 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of management of the State of Oklahoma, members of the Legislature, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



CLIFTON H. SCOTT
State Auditor and Inspector

December 29, 2001

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 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



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

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**To the Honorable Frank Keating, 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, 2001. 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, the Department of Environmental Quality, or the Water Resources Board, all of which were audited in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those programs represent 1.8% 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, 2001. Our audit, described below, did not include the operations of those component units because the component units 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 items 01-580-001, 01-580-004, 01-580-005, and 01-580-006 in the accompanying schedule of findings, the State of Oklahoma did not comply with requirements regarding reporting, special tests and provisions-inventory, and special tests and provisions-fair and equitable distribution and fees, that are applicable to its Donation of Federal Surplus Personal Property program. 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, 2001. 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 as items:

01-309-002	01-580-009	01-290-001	01-290-002	01-290-003	01-290-004
01-290-005	01-805-001	01-805-002	01-265-007	01-265-008	01-830-003
01-830-004	01-830-008	01-830-016	01-830-017	01-830-018	01-830-019
01-830-020	01-830-021	01-830-023	01-830-026	01-830-027	01-830-028
01-345-023	01-345-025	01-345-032	01-340-001	01-807-013	

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 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over compliance that, in our judgment, could adversely affect the State of Oklahoma’s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings as items:

01-309-005	01-580-001	01-580-003	01-580-004	01-580-005	01-580-006
01-580-009	01-290-001	01-290-002	01-290-003	01-290-004	01-290-005
01-265-007	01-265-008	01-265-010	01-830-010	01-830-004	01-830-016
01-830-017	01-830-018	01-830-019	01-830-020	01-830-021	01-830-023
01-830-026	01-830-027	01-830-028	01-830-030	01-345-020	01-345-021
01-345-031	01-345-036	01-345-037	01-345-038	01-340-001	01-807-004
01-807-005	01-807-006	01-807-013			

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 01-580-001, 01-580-004, 01-580-005, 01-580-006, and 01-345-036 to be material weaknesses.

Schedule of Expenditures of Federal Awards

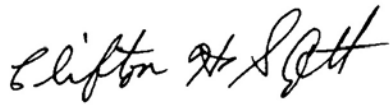
We have audited the basic financial statements of the State of Oklahoma as of and for the year ended June 30, 2001, and have issued our report thereon dated December 29, 2001, which includes identification of the entities whose financial statements were audited by other auditors and emphasis paragraphs on the unfunded actuarial accrued liability of the Teachers’ Retirement system and the adoption of Governmental Accounting Standards Board Statement Numbers 33, 34, 35, 36, 37 and 38. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The American Institute of Certified Public Accountants' Statement on Auditing Standards Number 87 requires the inclusion of the following paragraph in this report:

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However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

A handwritten signature in black ink that reads "Clifton H. Scott". The signature is written in a cursive style with a large initial "C" and "S".

CLIFTON H. SCOTT
State Auditor and Inspector

April 24, 2002, except as to the Schedule of Expenditures
of Federal Awards, for which the date is December 29, 2001.

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Schedule of Expenditures of Federal Awards
By Federal Grantor

Schedule of Expenditures of Federal Awards
By Federal Grantor

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor
for the Fiscal Year Ending June 30, 2001

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	Boll Weevil Eradication Department of Agriculture	\$ 1,050,600 <u>69,400</u>	\$ 1,120,000
Forestry Incentives Program	10.064	Department of Agriculture		5,500
Market Protection and Promotion	10.163	Department of Agriculture		53,680
State Mediation Grants	10.435	Department of Agriculture		209,002
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,559,688
Food Distribution	⌘ 10.550	Department of Human Services		15,750,027 ⌘
Food Stamps	⌘ 10.551	Department of Human Services		230,647,877
School Breakfast Program	10.553	Department of Education		24,875,362
National School Lunch Program	10.555	Department of Education Department of Human Services	76,308,098 <u>1,111,712</u>	77,419,810
Special Milk Program for Children	10.556	Department of Education		49,616
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		63,135,490 ⌘
Child and Adult Care Food Program	10.558	Department of Education		34,941,736
Summer Food Service Program for Children	10.559	Department of Education		2,144,021
State Administrative Expenses for Child Nutrition	10.560	Department of Education Department of Human Services	1,823,933 <u>309,522</u>	2,133,455
State Administrative Matching Grants for Food Stamp Program	10.561	Department of Human Services		30,542,592
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services		587,035
Nutrition Program for the Elderly (Commodities)	10.570	Department of Human Services		2,501,480
Cooperative Forestry Assistance	10.664	Department of Agriculture		1,993,193
Resource Conservation and Development	10.901	Department of Agriculture		5,793
Soil and Water Conservation	10.902	Conservation Commission Department of Agriculture	168,663 <u>1,337</u>	170,000
Subtotal				<u>489,845,357</u>
U.S. Department of Commerce				
Direct Programs:				
Cost Reimbursement Contract - Development of State Policy for Coordination of Economic Development Program	-	State Auditor and Inspector		<u>121,753</u>
Subtotal				<u>121,753</u>
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		297,543
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		35,780
Basic and Applied Scientific Research	12.300	Water Resources Board		27,797
Cost Reimbursement Contract - National Guard Military Construction	12.400	Oklahoma Military Department		3,236,465
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department		10,078,753 ⌘
Cost Reimbursements Contract - National Guard Civilian Youth Opportunities Program	12.404	Oklahoma Military Department		2,100,751
Other Federal Assistance - Troops to Teachers	-	Department of Education		<u>39,492</u>
Subtotal				<u>15,816,581</u>
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants - State's Program	14.228	Department of Commerce		21,013,104 ♦
Emergency Shelter Grants Program	14.231	Department of Commerce		917,808 ♦
Shelter Plus Care	14.238	Department of Commerce		<u>46,389</u>
Subtotal				<u>21,977,301</u>

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of the Interior				
Direct Programs:				
Indian Education - Assistance to Schools	15.130	Department of Education		116,997
Regulation of Surface Coal Mining and Surface Cost Reimbursement Contract - Cooperative				
Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		380,196
Effects of Underground Coal Mining	15.250	Department of Mines		949,195
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		1,506,808
Small Reclamation Projects	15.503	Water Resources Board	141,011	
		Department of Tourism and Recreation	<u>250,476</u>	391,487
Reclamation and Water Reuse Programs	15.504	Department of Wildlife Conservation		83,436
Sport Fish Restoration	15.605	Department of Wildlife Conservation		4,497,011 ♦
Wildlife Restoration	15.611	Department of Wildlife Conservation		3,510,795 ♦
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		64,032
Clean Vessel Act	15.616	Water Resources Board		51,652
Wildlife Conservation and Appreciation-Private Lands Purchase Agreement	15.617	Department of Wildlife Conservation		801
North American Wetlands Conservation Fund	15.623	Department of Wildlife Conservation		2,656
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		663,514
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		40,727
Native American Graves Protection and Repatriation Act	15.922	Historical Society		31,343
Other Federal Assistance - Private Lands Agreement	-	Department of Tourism and Recreation		<u>2,500</u>
Subtotal				<u>12,293,150</u>
U.S. Department of Justice				
Direct Programs:				
State and Local Domestic Preparedness Training Program	16.008	Department of Corrections		16,619
Juvenile Accountability Incentive Block Grants	16.523	Office of Juvenile Affairs		3,453,084
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Office of Juvenile Affairs		755,706
National Institute for Juvenile Justice and Delinquency Prevention	16.542	State Bureau of Investigation		34,942
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		276,634
Part E - State Challenge Activities	16.549	Office of Juvenile Affairs		48,001
State Justice Statistics Program for Statistical Analysis Centers	16.550	Legislative Service Bureau		72,364
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		585,604
Crime Laboratory Improvement-Combined Offender DNA Index System Backlog Reduction	15.564	State Bureau of Investigation		50,240
Crime Victim Assistance	16.575	District Attorneys Council		4,666,309
Crime Victim Compensation	16.576	District Attorneys Council		11,166
Byrne Formula Grant Program	16.579	District Attorneys Council		6,078,493
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	Department of Corrections		128,740
Violence Against Women Formula Grants	16.588	District Attorneys Council		1,908,323
Local Law Enforcement Block Grants Program	16.592	District Attorneys Council		1,399,912
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		1,142,020
State Identification Systems Grant Program	16.598	District Attorneys Council		122,955
State Criminal Alien Assistance Program	16.606	Department of Corrections		1,191,390
Police Corps	16.712	Department of Public Safety		623,830
Combating Underage Drinking	16.727	Department of Public Safety		296,651
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		<u>375,610</u>
Subtotal				<u>23,238,593</u>

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor
for the Fiscal Year Ending June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Labor				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		970,377
Compensation and Working Conditions Data	17.005	Department of Labor		78,150
Labor Certification for Alien Workers	17.203	Employment Security Commission		157,921
Employment Service	17.207	Employment Security Commission	9,690,519	
		Department of Career & Technology Education	26,959	9,717,478
Unemployment Insurance	17.225	Employment Security Commission		164,985,105
Senior Community Service Employment Program	17.235	Employment Security Commission		1,333,800
Trade Adjustment Assistance - Workers	17.245	Employment Security Commission		788,827
Employment and Training Assistance - Dislocated Workers	17.246	Employment Security Commission		657,197
Employment Services and Job Training - Pilot and Demonstration Programs	17.249	Department of Career & Technology Education		2,843,302
Job Training Partnership Act	17.250	Employment Security Commission		466,589
Welfare-to-Work Grants to States and Localities	17.253	Employment Security Commission		5,170,323
Workforce Investment Act	17.255	Employment Security Commission		17,116,822
Consultation Agreements	17.504	Department of Labor		973,978
Mine Health and Safety Grants	17.600	Department of Mines		98,385
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission		884,739
Local Veterans' Employment Representative Program	17.804	Employment Security Commission		1,555,289
Cost Reimbursement Contract - Job Corps	-	Employment Security Commission		555,870
Subtotal				<u>208,354,152</u>
U.S. Department of Transportation				
Direct Programs:				
Boating Safety Financial Assistance	20.005	Department of Public Safety		841,751
Airport Improvement Program	20.106	Department of Transportation		1,419,695
Highway Planning and Construction	20.205	Department of Transportation	306,385,361	
		Oklahoma Tax Commission	26,710	306,412,071
National Motor Carrier Safety	20.218	Department of Public Safety		1,864,788
Recreational Trails Program	20.219	Department of Tourism and Recreation		458,462
Local Rail Freight Assistance	20.308	Department of Transportation		151,202
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation		6,191,637
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		679,550
State and Community Highway Safety	20.600	Department of Public Safety		2,639,100
Cost Reimbursement Contract - Pipeline Safety	20.700	Corporation Commission		364,026
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Civil Emergency Management		117,250
Subtotal				<u>321,139,532</u>
General Services Administration				
Direct Programs:				
Donation of Federal Surplus Personal Property	⌘ 39.003	Department of Central Services		2,711,749
Subtotal				<u>2,711,749</u>
National Foundation on the Arts and the Humanities				
Direct Programs:				
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		517,900
State Library Program	45.310	Department of Libraries		1,596,083
Subtotal				<u>2,113,983</u>

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Veterans Affairs				
Direct Programs:				
Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		1,826,851
Veterans State Domiciliary Care	64.014	Department of Veterans Affairs		109,304
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		22,038,512
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		296,813
Subtotal				<u>24,271,480</u>
U.S. Environmental Protection Agency				
Direct Programs:				
Water Pollution Control - State and Interstate Program Support	66.419	Water Resources Board		819,902
State Underground Water Source Protection	66.433	Corporation Commission		353,707
Construction Management Assistance	66.438	Water Resources Board		120,579
Water Quality Management Planning	66.454	Water Resources Board		41,440
Capitalization Grants for State Revolving Funds	66.458	Water Resources Board		7,002,842 ♦
Nonpoint Source Implementation Grants	66.460	Water Resources Board		2,339,673
Wetlands Protection - Development Grants	66.461	Water Resources Board		167,274
National Pollutant Discharge Elimination System Related State Program Grants	66.463	Water Resources Board		74,630
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality		15,715,083 ♦
Rural Communities Hardship Grants Program	66.470	Water Resources Board		63,932
Performance Partnership Grants	66.605	Department of Environmental Quality		2,888,726
Surveys, Studies, Investigations and Special Purpose Grants	66.606	Department of Commerce	21,885	
		Department of Environmental Quality	381,759	
		Water Resources Board	<u>155,852</u>	559,496
One Stop Reporting	66.608	Department of Environmental Quality		149,631
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	Department of Agriculture		610,696
Toxic Substances Compliance Monitoring	66.701	Department of Environmental Quality	103,451	
		Department of Labor	<u>117,950</u>	221,401
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		37,421
Superfund State Site - Specific Cooperative Agreements	66.802	Department of Environmental Quality		4,765,627
State Underground Storage Tanks Program	66.804	Corporation Commission		238,272
Leaking Underground Storage Tank Trust Fund Program	66.805	Corporation Commission		1,733,822
Other Federal Assistance - Other Direct Programs 104 (B) (3) Program	-	Water Resources Board		<u>2,547</u>
Subtotal				<u>37,906,701</u>
U.S. Department of Energy				
Direct Programs:				
State Energy Program	81.041	Department of Commerce		741,650 ♦
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce		1,658,362 ♦
Fossil Energy Research and Development	81.089	Energy Resources Board		269,737
Subtotal				<u>2,669,749</u>
Federal Emergency Management Agency				
Direct Programs:				
Community Assistance Program - State Support Services Element (CAP-SSSE)	83.105	Department of Civil Emergency Management		230,331
Flood Mitigation Assistance	83.536	Department of Civil Emergency Management		97,500
Individual and Family Grants	83.543	Department of Civil Emergency Management		2,274,469
Public Assistance Grants	83.544	Department of Civil Emergency Management	111,492,229	
		Department of Tourism and Recreation	<u>695,536</u>	112,187,765 ☼
Hazard Mitigation Grant	83.548	Department of Civil Emergency Management		6,290,247
National Dam Safety Program	83.550	Water Resources Board		104,210
Emergency Management Performance Grants	83.552	Department of Civil Emergency Management		1,804,894
Subtotal				<u>122,989,416</u>

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor
for the Fiscal Year Ending June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Education				
Direct Programs:				
Adult Education - State Grant Program	84.002	Department of Education		5,364,301
Bilingual Education	84.003	Department of Education		231,681
Title I Grants to Local Educational Agencies	84.010	Department of Education		100,488,076 *
Migrant Education - Basic State Grant Program	84.011	Department of Education		2,008,846
Title I Program for Neglected and Delinquent Children	84.013	Department of Education		203,590
Services for Children with Deaf-Blindness	84.025	Department of Education		40,162
Special Education - Grants to States	84.027	Department of Education		60,810,194 *
Special Education-Personnel Development and Parent Training	84.029	Department of Education		2,514
Interlibrary Cooperation and Resource Sharing	84.035	Department of Libraries		3,374
Vocational Education - Basic Grants to States	84.048	Department of Career & Technology Education		15,948,215
National Vocational Education Research	84.051	Department of Career & Technology Education		81,198
Fund for the Improvement of Postsecondary Education	84.116	Department of Career & Technology Education		394,427
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Department of Rehabilitation Services		34,937,769 *
Public Library Construction LSCA Title II	84.154	Department of Libraries		24,329
Secondary Education and Transitional Services for Youth with Disabilities	84.158	Department of Education		460,450
Rehabilitation Services - Client Assistance Program	84.161	Office of Handicapped Concerns		101,625
Immigrant Education	84.162	Department of Education		477,960
Independent Living - State Grants	84.169	Department of Rehabilitation Services		197,735
Special Education - Preschool Grants	84.173	Department of Education		3,294,285 *
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services		271,823
Special Education - Grants for Infants and Families with Disabilities	84.181	Department of Education		2,670,596
Byrd Honors Scholarships	84.185	Department of Education		472,055
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	4,111,720	
		Department of Health	513,873	
		Mental Health and Substance Abuse Services	25,976	4,651,569
Supported Employment Services for Individuals with Severe Disabilities	84.187	Department of Rehabilitation Services		429,469
Education for Homeless Children and Youth	84.196	Department of Education		364,477
Even Start - State Educational Agencies	84.213	Department of Education		1,570,907
Fund for the Improvement of Education	84.215	Department of Education		256,623
Capital Expenses	84.216	Department of Education		20,380
Tech-Prep Education	84.243	Department of Career & Technology Education		1,337,811
Foreign Language Assistance Grants	84.249	Department of Education		(426)
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		69,536
Eisenhower Professional Development State Grants	84.281	Department of Education		3,103,650
Charter Schools	84.282	Department of Education		1,480,853
Innovative Education Program Strategies	84.298	Department of Education		4,702,579
Technology Literacy Challenge Fund Grants	84.318	Department of Education		4,777,475
Special Education-State Program Improvement Grants for Children with Disabilities	84.323	Department of Education		48,787
Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	Department of Education		54,221
Advanced Placement Incentive Program	84.330	Department of Education		8,916
Grants to States for Incarcerated Youth Offenders	84.331	Department of Corrections		124,119
Comprehensive School Reform Demonstration	84.332	Department of Education		2,450,442
Reading Excellence	84.338	Department of Education		218,226
Class Size Reduction	84.340	Department of Education		14,749,742 *
Occupational and Employment Information State Grants	84.346	Department of Career & Technology Education		121,585
Title I Accountability Grants	84.348	Department of Education		1,173,401
Subtotal				<u>270,199,547</u>

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
National Archives and Records Administration				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		623
Subtotal				623
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		40,443
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		59,568
Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		191,652
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services		3,955,072
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services		6,788,432
Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	93.048	Department of Human Services		55,500
Nation Family Caregiver Support Program	93.052	Department of Human Services		787,074
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		338,758
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		772,242
Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	93.119	Mental Health and Substance Abuse Services		130,932
Primary Care Services - Resource Coordination and Development Primary Care Offices	93.130	State Department of Health		114,715
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		788,648
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		307,286
Childhood Lead Poisoning Prevention Projects - State and Community Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	State Department of Health		263,459
Program to Build Capacity to Conduct Site Specific Activities	93.200	State Department of Health		218,914
Family Planning - Services	93.217	State Department of Health		3,370,088
Consolidated Knowledge Development and Application Program	93.230	Mental Health and Substance Abuse Services		419,917
Traumatic Brain Injury	93.234	State Department of Health		173,785
Abstinence Education	93.235	State Department of Health		637,400
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	State Department of Health Mental Health and Substance Abuse Services	63,890 286,149	350,039
State Rural Hospital Flexibility Program	93.241	State Department of Health		301,314
Immunization Grants	93.268	State Department of Health		18,263,466
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	State Department of Health		2,305,488
Family Preservation and Support Services	93.556	Department of Human Services		4,767,048
Temporary Assistance for Needy Families	93.558	Department of Human Services		60,307,448
Child Support Enforcement	93.563	Department of Human Services		27,816,122
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		250,391
Low-Income Home Energy Assistance	93.568	Department of Human Services		16,239,087

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor
for the Fiscal Year Ending June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Health and Human Services (continued)				
Community Services Block Grant	93.569	Department of Commerce		7,311,230 ♦
Community Services Block Grant Discretionary				
Awards - Community Food and Nutrition	93.571	Department of Commerce		61,598
Child Care and Development Block Grant	93.575	Department of Human Services		82,314,268 *
Refugee and Entrant Assistance - Discretionary Grants	93.576	Department of Education		69,051
Empowerment Zones Program	93.585	Department of Commerce	85,671	
		Department of Human Services	<u>150,000</u>	235,671
State Court Improvement Program	93.586	Supreme Court		284,483
Community-Based Family Resource and Support Grants	93.590	State Department of Health		1,111,806
Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund	93.596	Department of Human Services		35,642,742 *
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		26,803
Head Start	93.600	Department of Commerce		228,368
Adoption Incentive Payments	93.603	Department of Human Services		280,320
Developmental Disabilities Basic Support				
and Advocacy Grants	93.630	Department of Human Services		1,057,113
Children's Justice Grants to States	93.643	State Department of Health	17,498	
		Department of Human Services	<u>96,739</u>	114,237
Child Welfare Services - State Grants	93.645	Department of Human Services		2,861,816
Foster Care - Title IV-E	93.658	Department of Human Services		33,694,397 *
Adoption Assistance	93.659	Department of Human Services		15,157,555 *
Social Services Block Grant	93.667	Department of Human Services		21,399,646
Child Abuse and Neglect State Grants	93.669	Department of Human Services		255,971
Child Abuse and Neglect Discretionary Activities	93.670	Department of Human Services		144,950
Family Violence Prevention and Services -				
Grants for Battered Women's Shelters -				
Grants to States and Indian Tribes	93.671	Mental Health and Substance Abuse Services		823,960
Independent Living	93.674	Department of Human Services		854,498
State Children's Insurance Program	93.767	Health Care Authority		28,303,263 *
Medicare - Hospital Insurance	93.773	State Department of Health		3,720,584
State Medicaid Fraud Control Units	93.775	Attorney General		822,920 *
State Survey and Certification of Health Care				
Providers and Suppliers	93.777	Health Care Authority		2,606,376 *
Medical Assistance Program	93.778	Health Care Authority		1,391,357,640 *
Grants to States for Operation of Offices of Rural Health	93.913	State Department of Health		537,409
HIV Care Formula Grants	93.917	State Department of Health		3,111,645
Cooperative Agreements for State-Based Comprehensive				
Breast and Cervical Cancer Early Detection Programs	93.919	State Department of Health		2,140,109
Cooperative Agreements to Support Comprehensive				
School Health Programs to Prevent the Spread of HIV				
and Other Important Health Problems	93.938	Department of Education		174,542
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		1,808,823
Human Immunodeficiency Virus (HIV) - Acquired				
Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		319,971
Racial and Ethnic Approaches to Community Health 2010	93.945	State Department of Health		674,311
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		3,788,117
Block Grants for Prevention and Treatment				
of Substance Abuse	93.959	Mental Health and Substance Abuse Services		15,720,428
Preventive Health Services - Sexually Transmitted				
Diseases Control Grants	93.977	State Department of Health		903,466
Mental Health Disaster Assistance and				
Emergency Mental Health	93.982	Mental Health and Substance Abuse Services		272,580
Cooperative Agreements for State-Based Diabetes Control				
Programs and Evaluation of Surveillance Systems	93.988	State Department of Health		214,018
Preventive Health and Health Services Block Grant	93.991	State Department of Health		1,716,677
Maternal and Child Health Services Block				
Grant to the States	93.994	State Department of Health	4,778,101	
		Department of Human Services	<u>2,776,309</u>	7,554,410

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Health and Human Services (continued)				
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		48,729
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		140,867
Cost Reimbursement Contract - Implementation of Uniform Alcohol and Drug Abuse Data Collection Systems	-	Mental Health and Substance Abuse Services		39,180
Cost Reimbursement Contract - Demand and Needs Assessment	-	Mental Health and Substance Abuse Services		204,925
Subtotal				<u>1,820,125,761</u>
Corporation for National and Community Service				
Direct Programs:				
Learn and Serve America - School and Community Based Programs	94.004	Department of Education		202,681
Learn and Serve America - Higher Education	94.005	Department of Education		214,539
Foster Grandparent Program	94.011	Department of Human Services		357,193
Volunteers in Service to America	94.013	Department of Education	21,275	
		Department of Libraries	16,998	38,273
Subtotal				<u>812,686</u>
Social Security Administration				
Direct Programs:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services		13,694,134
Social Security-Research and Demonstration	96.007	Department of Rehabilitation Services		249,378
Subtotal				<u>13,943,512</u>
Total Federal Assistance				<u>\$ 3,390,531,626</u>

⌘ 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

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, 2001

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.

The Schedule reports federal awards expenditures and expenses of the primary government.

B. Basis of Presentation

The Schedule presents expenditures and expenses for the fiscal year ended June 30, 2001. The Schedule reports total state expenditures and expenses for each federal award 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 23.3 percent of the federal government acquisition cost.

The scope of the Schedule includes expenditures and expenses of federal assistance received directly by state primary recipients. With reference to the primary government, the state primary recipient expenditures are not adjusted for amounts passed through to other state agencies for expenditure. State agency expenditures and expenses of federal assistance received indirectly from nonstate sources are reported as "passed through" those nonstate sources.

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

Notes to the Schedule of Expenditures of Federal Awards

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 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 incurred. However, the Department of Environmental Quality (CFDA 66.468), the Water Resources Board (66.458), and the Department of Wildlife Conservation 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 2001:

<u>CFDA Number</u>	<u>Program Name</u>
81.041	State Energy Conservation
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 \$139,893,629. The federal portion of UI funds amounted to \$25,091,476.

Note 4. Federally Funded Loan Programs

The Water Resources Board (WRB) administers the Oklahoma Wastewater Facility Construction Revolving Loan Account Program. The program had loans outstanding of \$116,420,853 at June 30, 2001. Federal grants from the U.S. Environmental Protection Agency under CFDA 66.458 provided approximately 83.33% of the program's loan funding, with State funds matching the remaining 16.67%. Included in the schedule of federal expenditures are funds withdrawn for loans and administrative costs. During fiscal year 2001, the WRB withdrew federal funds in the amount of \$7,002,842. These funds were used for disbursements on loans originated. Administration expenses funded with federal funds for fiscal year 2001 were \$-0-.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$22,780,371 at June 30, 2001. 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 2001, the ODEQ withdrew federal funds in the amount of \$13,338,065. Of these funds, \$13,338,065 was used for disbursements on loans originated.

Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2001, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$22,181,657 on sales of formula to participants in the Special Supplemental Food 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. These project expenditures are held in suspense until contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$26,419,000 were in suspense at June 30, 2001. If contracts are modified and approved by the U.S. Department of Transportation an estimated 82 percent or \$21,663,538 will be classified as available, and as a federal receivable.

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 Water Resources Board (CFDA 66.458)

Several programs were identified as major and audited as such in the separate single audits of the Oklahoma Department of Commerce, Oklahoma Department of Wildlife, Oklahoma Department of Environmental Quality and the Oklahoma Water Resources Board. The schedule separately identifies programs that were audited as major programs by independent auditors of entities within the State.

Note 7. 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.

The Department utilized \$37,680,190 of the soft match provision for projects billed during fiscal year 2001. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. Therefore, the amount reported on the fiscal year 2001 Schedule of Expenditures of Federal Awards as Federal Highway Administration federal expenditures may include all or part of the previously approved soft match.

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Schedule of Findings

Schedule of Findings

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?yes

Reportable condition(s) identified that are not
considered to be material weakness(es)?yes

Noncompliance material to financial statements noted?yes

Federal Awards

Internal control over major programs:

Material weakness(es) identified?yes

Reportable condition(s) 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
Donation of Federal Surplus Property which
was 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: \$10,103,441

Auditee qualified as low-risk auditee?no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Program Name</u>
10.550	Food Distribution
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
12.401	National Guard Military Operations and Maintenance Projects
14.228	Community Development Block Grants-State's Program
14.231	Emergency Shelter Grants Program
Fish and Wildlife Cluster	15.605 Sport Fish Restoration
	15.611 Wildlife Restoration
17.253	Welfare-to-Work Grants to States and Localities
17.255	Workforce Investment Act
20.205	Highway Planning and Construction
39.003	Donation of Federal Surplus Personal Property
66.458	Capitalization Grants for State Revolving Funds
66.468	Drinking Water State Revolving Fund Program
81.041	State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
83.544	Public Assistance Grants
84.010	Title 1 Grants to Local Educational Agencies
Special Education Cluster	84.027 Special Education-Grants to States
	84.173 Special Education-Preschool Grants
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States
84.340	Class Size Reduction
Aging Cluster	93.044 Special Programs for the Aging-Title III, Part B
	93.045 Special Programs for the Aging-Title III, Part C
93.558	Temporary Assistance for Needy Families
93.568	Low Income Home Energy Assistance
93.569	Community Services Block Grant
Child Care Cluster	93.575 Child Care and Development Block Grant
	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.767	State Children's Insurance Program
Medicaid Cluster	93.775 State Medicaid Fraud Control Units
	93.777 State Survey and Certification of Health Care Providers and Suppliers
	93.778 Medical Assistance Program

Schedule of Findings Financial Statement Findings (Internal Control and Compliance)

Office of State Finance

REF NO: 01-090-010

STATE AGENCY: Office of State Finance

Criteria: According to the standards of the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT), Delivery and Support objective #5, management should implement logical access controls which ensure that access to the systems, data, and programs is restricted to authorized users. CobiT, monitoring M1, requires management to define relevant performance indicators and to set standards for the systematic and timely reporting of performance and prompt actions upon deviations.

Condition: The Office of State Finance, (OSF), administers the outside access to several other agencies internal networks and or applications. We noted several items related to the network security that did not meet best practices.

Cause: No written security assessment or security policies in place to address the risks and vulnerabilities within the system.

Effect: Risk of unauthorized use, disclosure, modification, damage or loss of data and equipment.

Recommendation: We recommend OSF assist their customers (other state agencies that they provided service to) in performing a risk assessment and developing security policies. We recommend that a formal agreement between the other agencies and OSF be obtained, detailing specific procedures and assigning responsibilities of the network administration and security.

Management's Corrective Action Plan

Contact Person: George Floyd, Telecommunication Networks, OSF

Anticipated Completion Date: 06/01/02

Corrective Action Planned: One agency is contracting to have a security evaluation performed on their entire environment. They will take actions based on that evaluation. It is anticipated that all of the concerns addressed by you will be mitigated upon implementation of the evaluation findings and recommendations. Estimated completion is 120 days.

We are developing documented procedures for requesting and implementing changes to that agency's connection to the backbone network. Estimated completion 120 days.

REF NO: 01-090-011

STATE AGENCY: Office of State Finance

Criteria: According to the standards of the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT), Delivery and Support objective #5, management should implement logical access controls which ensure that access to the systems, data, and programs is restricted to authorized users. CobiT, monitoring M1, requires management to define relevant performance indicators and to set standards for the systematic and timely reporting of performance and prompt actions upon deviations.

Condition: The Office of State Finance administers the access to other state agencies applications that reside on the IBM OS/390 mainframe system. Office of State Finance utilizes a security package on the IBM mainframe but does not maintain adequate internal controls over the procedures to manage the security settings.

Schedule of Findings

Financial Statement Findings

(Internal Control and Compliance)

Cause: No written security assessment or security policies in place to address the risks and vulnerabilities within the system.

Effect: Risk of unauthorized use, disclosure, modification, damage or loss of data due to lack of policies and procedures relating to data integrity and security considering all points of access involving the transmission and storage of information.

Recommendation: We recommend Oklahoma State Office of Finance perform a risk assessment and develop security policies. A formal agreement detailing specific procedures and assigning responsibilities should be obtained.

Management's Corrective Action Plan

Contact Person: Bernice Borg

Anticipated Completion Date: 120 days (6/25/02)

Corrective Action Planned:

- There is a standard procedure for setting up new users that is not documented. Documentation will be done. The procedure is different for each agency so that it fits the agency's needs. There is an authorized person in each agency (authorized by the agency) who sets the standard for the user ids for said agency's systems and authorizes OSF personnel to setup the user ids. These standards are based upon the agency's needs as mandated by statute, federal requirements, etc.
- We have a Service Request system in place under Lotus Notes. Each request is documented through this system. A request is made, a service request is created, (based on phone call or email from authorized person in an agency), the setup/change is done, the service request is closed and the authorized person is notified of the closure. No work is done except through the "authorized" person and no notification is done except to the authorized person. We do not communicate directly to an agency that has requested access to another agency's data—that is all done through the "owning" agency.
- A letter will be obtained from the agency stating the names of those persons authorized to request changes.
- User ids are established based on employing agency. There is a standard format and naming convention in place. We will be glad to supply this upon request.
- We do not have one list of all the applications residing on the mainframe. The applications are listed in multiple documents. We will create a consolidated list with the applications.
- Procedures will be written for monitoring security systems logs, reporting violations, and resolution of violations.
- Procedures will be written for the monitoring of settings for the security package installed in the IBM mainframe.

Office of State Treasurer

REF NO: 01-740-026

STATE AGENCY: Oklahoma State Treasurer

Criteria: According to the standards of the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT), Delivery and Support objective #5, management should implement logical access controls which ensure that access to the systems, data, and programs is restricted

to authorized users. CobiT, monitoring M1, requires management to define relevant performance indicators and to set standards for the systematic and timely reporting of performance and prompt actions upon deviations.

Schedule of Findings Financial Statement Findings (Internal Control and Compliance)

Condition: Our review of the Oklahoma State Treasurer's Information Services Division maintained network found that:

- Network Administrators connect to Remote access software from sources outside their network
- Remote access software is used to access network from the internet
- Network administrators allow incoming Remote Access Service connection to the internal network
- Modem set to answer
- No written procedures exist for monitoring network system logs, reporting violations, or resolution of violations
- No monitoring of network traffic.
- No Review of call logs to the RAS servers

Effect: Risk of unauthorized use, disclosure, modification, damage or loss of data and system availability.

Recommendation: We recommend as part of the risk assessment, Oklahoma State Treasurer review their internal network and all the known accesses and evaluate the risk associated with each of them. Implement procedures to mitigate those risks to an acceptable level. Specific recommendations are to set the modem to call back and limit the access to two administrators. Close access to Remote access software from the Internet. Log and monitor activity on the RAS servers.

Management's Corrective Action Plan

Contact Person: Garry McCoy, ISD Administrator

Anticipated Completion Date: 6/30/2002

Corrective Action Planned: The modem set to answer has been turned off. It was used by Tech Support when they were experimenting with dial-up RAS as a possible means for remote access to our network.

An authorized user can access the OST network from the Internet through a private IP mask provided by the Office of State Finance. Two layers of access control are encountered when a user reaches OST's remote access server. Recently default settings were changed to make this connection less vulnerable to unauthorized intrusion.

Department of Transportation

REF NO: 01-345-003

STATE AGENCY: Department of Transportation

Criteria: 62 O.S. 2000 Supp. § 41.21 E. states:

Agencies administering certain major federal assistance programs are authorized to establish a pre-audit and settlement system for claims or payments or both relating to the purposes of the stated federal assistance programs . . . The following programs shall be eligible for this procedure: . . . 16. Highway Planning and Construction (contractor estimates and right-of-way payments); . . . The Director of State Finance shall establish a disbursing fund which shall receive all federal, state matching and other funds which make up the total funding sources for each of the above federal programs.

Fund 340, CMIA Programs Disbursing Fund has been established for the purpose stated above.

Condition: The Department expended approximately \$197,853,797.67 through Fund 340 for construction projects that are not part of the Highway Planning and Construction program as required by 62 O.S. 2000 Supp. § 41.21 E.

Schedule of Findings

Financial Statement Findings

(Internal Control and Compliance)

Effect: The Department is not in compliance with 62 O.S. 2000 Supp. § 41.21 E.

Recommendation: We recommend the Department use Fund 340 only for expenditures related to the Highway Planning and Construction program as required by 62 O.S. 2000 Supp. § 41.21 E.

Management's Corrective Action Plan

Contact Person: J. Michael Patterson

Anticipated Completion Date: 5/02

Corrective Action Planned: During the 2001 Legislative session HB 1778 was passed by both houses and vetoed by the Governor. This legislation would have allowed for the agency to legally process state funded contractor estimates and right of way payments through fund 340. The reason for the veto dealt with another controversial issue that was contained in the bill

ODOT will be sponsoring another piece of legislation during the 2002 session to rectify the situation.

REF NO: 01-345-004

STATE AGENCY: Department of Transportation

Criteria: 62 O.S. 2000 Supp. § 41.16 states:

Encumbrance requirements for payments from funds of the state shall include the following: A. Whenever departments, institutions, boards, commissions or agencies of this state enter into contracts for, or on behalf of the state for the purchase of goods, wares or merchandise, or for construction of buildings, roads, bridges or any other thing for which labor and materials must be furnished by outside vendors, such agreement shall be evidenced by written contracts or purchase orders, and must be transmitted to the Director of State Finance from the date of awarding of such contract or purchase order. B. The Director of State Finance shall charge such contracts, purchase orders or agreements, against the proper appropriation allotment account as an outstanding order until it is liquidated by payment of a claim, or claims, against said contracts or purchase orders, or by cancellation. C. The Director of State Finance shall have the authority, and is hereby given the power to authorize departments, institutions, boards, commissions or agencies of the state to make purchases not requiring the submission of competitive bids pursuant to Section 85.7 of Title 74 of the Oklahoma Statutes, or excluded from the purview of the Central Purchasing Act pursuant to Section 85.12 of Title 74 of the Oklahoma Statutes, for or on behalf of the state whenever the Director of State Finance determines that the best interests of the state are served thereby. The administrative head of any agency shall be personally liable for obligations incurred in excess of the authorization granted by the Director of State Finance.

Condition: The Department expended approximately \$197,853,797.67 in state funds during FY2001, which were not encumbered through the Office of State Finance as required by 62 O.S. 2000 Supp. § 41.16.

Effect: The Department is not in compliance with 62 O.S. 2000 Supp. § 41.16.

Recommendation: We recommend that all contracts for the purchase of goods, wares or merchandise, or for construction of buildings, roads, bridges or any other thing for which labor and materials must be furnished by outside vendors be encumbered with the Office of State Finance as required by 62 O.S. 2000 Supp. § 41.16.

Schedule of Findings Financial Statement Findings (Internal Control and Compliance)

Management's Corrective Action Plan

Contact Person: J. Michael Patterson

Anticipated Completion Date: 5/02

Corrective Action Planned: During the 2001 Legislative session HB 1778 was passed by both houses and vetoed by the Governor. This legislation would have allowed for the agency to legally process state funded contractor estimates and right of way payments through fund 340. The reason for the veto dealt with another controversial issue that was contained in the bill.

ODOT will be sponsoring another piece of legislation during the 2002 session to rectify the situation.

REF NO: 01-345-005

STATE AGENCY: Department of Transportation

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

Condition: A reconciliation of Fund 310 has not been performed since July 1998. Fund 340C has been reconciled through June 2001; however, some reconciling items have not been corrected for up to forty months. The Department's corrective action for the finding in fiscal year 2000 addressing the Fund 310 reconciliation states, "We plan to have Fund 310H reconciled through June 2000 by January 2001..."

Effect: Errors or irregularities could occur and not be detected in a timely manner.

Recommendation: We recommend the Department continue its efforts to ensure all funds are reconciled on a monthly basis.

Management's Corrective Action Plan

Contact Person: Chelley Vanwinkle, Finance Branch Manager

Anticipated Completion Date: 7-15-2002

Corrective Action Planned: These accounts continue to be unreconciled primarily due to being understaffed. We are looking into alternative actions to ensure that fund reconciliations are performed monthly. We concur with the auditor's recommendation. We plan to have all funds reconciled by July 15, 2002.

REF NO: 01-345-008

STATE AGENCY: Department of Transportation

Criteria: O.S. Supp. 2000, Art. 10, § 15, A. states:

Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association, or corporation.

The Office of Personnel Management Merit Rule 530: 10-7-7 states:

The Administrator may authorize a pay differential for a position within a job family because of special duty requirements related to the position. This may include shift pay, on-call pay. . . The request for the differential shall be submitted in writing by the requesting agency and shall adequately identify the need.

Schedule of Findings

Financial Statement Findings

(Internal Control and Compliance)

According to the Department's Human Resources Division Manager, the Department currently does not have a policy regarding on-call pay.

Condition: During testwork of overtime, we noted the following for 31 employees tested:

- One employee worked 61 hours with no break, 82 hours with no break, 34 hours with no break, 39 hours with one 30 minute break, and 24 hours with no break.
- One employee worked 44 hours with no break, 54 hours with no break, 34.5 hours with no break, and 50 hours with one 30 minute break.
- One employee worked 87.5 hours with no break, 33.5 hours with two 30 minute breaks, 33.5 hours with two 30 minute breaks, and 23.5 hours with no break.
- One employee worked 79.5 hours with two 30 minute breaks and 34.5 hours with two 30 minute breaks.
- One employee worked 41 hours with no break, 79.5 hours with two 30 minute breaks, twice worked 34.5 hours with two 30 minute breaks, and four times worked 33.5 hours with two 30 minute breaks.
- One employee worked 42 hours with no break, 79.5 hours with two 30 minute breaks, 34.5 hours with two 30 minute breaks, and twice worked 33.5 hours with two 30 minute breaks.
- One employee worked 78 hours with one 30 minute break and 24 hours with no break.
- One employee worked 39 hours with no break and 33 hours with two 30 minute breaks.
- One employee worked 37 hours with no break, 31 hours with no break, and 22 hours with no break.
- One employee worked 27 sixteen hour Saturdays in addition to working a normal work week.
- One employee worked 130 sixteen hour days, averaging 60.27 hours week.

Effect: Based on the number of consecutive hours worked, it appears the employees are on-call, but being paid overtime at time-and-one-half their regular salary. Therefore, it appears the Department is in violation of OPM rules, and could be in violation of the Oklahoma Constitution.

Recommendation: We recommend the Department establish and implement an on-call pay policy.

Management's Corrective Action Plan

Contact Person: Brian Kirtley, Div. Mgr. Human Resources

Anticipated Completion Date: July 1, 2002

Corrective Action Planned: An on call pay policy will be developed and submitted to the agency's senior staff for approval and implementation.

REF NO: 01-345-011

STATE AGENCY: Department of Transportation

Criteria: The Overtime Pay Requirements of the Fair Labor Standards Act state:

Where an employee in a single workweek works at two or more different types of work for which different straight-time rates have been established, the regular rate for that week is the weighted average of such rates. That is, the earnings from all such rates are added together and this total is then divided by the total number of hours worked at all jobs.

Condition: A Department employee is performing two different job duties (heavy machinery operator and janitor), but is being paid at the heavy machinery operator rate for both positions.

Effect: The employee is being paid at a higher rate than allowed by the Overtime Pay Requirements of the Fair Labor Standards Act.

Schedule of Findings Financial Statement Findings (Internal Control and Compliance)

Recommendation: We recommend that the Department comply with the Fair Labor Standards Act and pay its employees at rates that apply to the type of work performed.

Management's Corrective Action Plan

Contact Person: Gary Evans

Anticipated Completion Date: None

Corrective Action Planned: With initiation of the contract for Highway Maintenance in the Tulsa area the need for Mr. Valentin's janitorial/emergency contract services is no longer necessary. This situation does not currently exist.

Auditor Response: The contract for highway maintenance in the Tulsa area was not begun until September 1, 2001 and by March 2002, was in dispute.

REF NO: 01-345-018

STATE AGENCY: Department of Transportation

Criteria: The Oklahoma Statutes 62 O.S.1991, § 7.1 states:

At least once each month each state agency shall transfer monies deposited in agency clearing accounts to the various funds or accounts, subdivisions of the state, or functions as may be provided by statute and no money shall ever be disbursed from the agency clearing account for any other purpose, except in refund of erroneous or excessive collections and credits.

Condition: The Department is inappropriately using the clearing account to adjust its funds and accounts.

Cause: The Department issues transfers of funds to correct funds and accounts for deposit "errors". It appears the Department may be misusing the clearing account to facilitate its cash flows.

Effect: The Department is not recording revenues to the proper revenue fund.

Recommendation: The Department should review the transfers to funds for appropriateness. Also, "errors" should be corrected through adjusting entries per OSF form 76.

Management's Corrective Action Plan

Contact Person: Chelley Van Winkle

Anticipated Completion Date: None

Corrective Action Planned: None. All applicable personnel have been apprised of the correct procedures.

REF NO: 01-345-036

STATE AGENCY: Department of Transportation

Criteria: The Information Systems Audit and Control Association management guidelines, Control Objectives for Information Technology (CobIT) Delivery and Support objective #11, states that management should ensure that data remains complete, accurate and valid during its input, update and storage.

Condition: Our review of the weekly process to transfer data from the Financial Management System to the Project Funding System found the procedures to be inadequate in ensuring the transfer was complete.

Effect: Increase risk of inaccurate federal funds billing and reporting. Weak internal control structure. Data loss can occur during the process that may not be discovered and corrected.

Schedule of Findings

Financial Statement Findings

(Internal Control and Compliance)

Recommendation: We recommend Department of Transportation adopt a procedure for monitoring information systems, to include controls to ensure:

- Accuracy
- Completeness and authorization checks
- Date input error handling
- Data processing integrity
- Data processing
- Data processing data error handling.

Department of Transportation should consider implementing error procedures that include:

- Correction and resubmission of errors require approval
- Assign individual responsibility for suspense files, generate reports for non-resolved errors
- A suspense file prioritization scheme be available based on age and type of error.

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date: 6/1/02

Corrective Action Planned: An evaluation is currently underway by a consultant which may provide recommendations for stronger internal controls. The Comptroller initiated additional reconciliations to provide data integrity.

REF NO: 01-345-037

STATE AGENCY: Department of Transportation

Criteria: According to the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT) Planning and Organization objective #4, management should facilitate effective direction and adequate controls including:

- Segregation of duties
- Organizational positioning of security, quality and internal control functions.

Condition: Department of Transportation lacks segregation of duties within the change control process for the Project Funding System. Programmers have access to production libraries and data. There is no reporting and review of unauthorized attempts to access data.

Effect: Increase risk of unauthorized, undetected data manipulation or loss. An internal control structure incapable of monitoring and reporting the effectiveness of the established controls.

Recommendation: We recommend management establish a proper segregation of duties within the information services division. Consideration should be given to the following:

- Management's direction and supervision of IT
- IT's alignment with the business
- IT's involvement in key decision process
- Clear roles and responsibilities
- Balance between supervision and empowerment
- Job descriptions
- Staffing levels and key personnel
- Organizational positioning of security, quality and internal control functions

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date: n/a

Schedule of Findings Financial Statement Findings (Internal Control and Compliance)

Corrective Action Planned: Manpower constraints do not allow the Information Services Division (ISD) to specifically segregated duties within each of the supported systems. ISD responds to requests for changes in these systems through chain of command. Weekly reconciliations provide the opportunity to examine the systems at this level.

REF NO: 01-345-038

STATE AGENCY: Department of Transportation

Criteria: The Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT) Delivery and Support objective #5, states that management should safeguard information against unauthorized use, disclosure, modification, damage or loss. This may be accomplished through logical access controls, which ensure that access to systems, data and programs is restricted to authorized users. CobiT Monitoring objective #2, management has the responsibility of ensuring the achievement of the internal control objectives set for the IT process. Management should be committed to monitoring internal control, assessing the effectiveness, and reporting on a regular basis.

Condition: In our audit of Department of Transportation we noted the following:

1. Users of a Department System have access to the programs and data.
2. Information Services Division does not have written policies and procedures for setting up new users.
3. The Information Services Division could not produce a list of users of the system without a great deal of time and effort.
4. Department of Transportation's Information Services Division exhibits a lack of system security.

Cause: Risk associated with allowing user access to system utilities has not been assessed, nor have proper controls been implemented to ensure user access is authorized to the proper level based on a need-to-have and need-to-know basis. Information systems employee stated that they are relying on ignorance for system security. The system does not incorporate any internal control or security functions.

Effect: Possibility of unauthorized changes, damage, or loss of project funding system. Weak internal control structure. No standards of consistency.

Recommendation: We recommend management take the necessary action to ensure that an internal control system or framework is in place which supports the business processes, makes it clear how each individual controls activity, satisfies the information requirements, and impacts the IT resources. This would include logical access controls, which ensure confidentiality and authorization and takes into consideration the following:

- confidentiality and privacy requirements
- authorization, authentication and access control
- user identification and authorization profiles
- need-to-have need-to-know
- cryptographic key management
- incident handling, reporting and follow-up
- virus prevention and detection
- firewalls
- centralized security administration
- user training
- tools for monitoring compliance, intrusion testing and reporting.

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date: n/a

Corrective Action Planned: Only users that are provided access to the PFS Programming have access to data and programs. Documented policies will be developed addressing new users of our systems.

Schedule of Findings
Financial Statement Findings
(Internal Control and Compliance)

A list of users and their access levels is attached.

Security is maintained through access levels. ISD programmers who regularly work with the systems are maintained at this level to more efficiently complete requested work.

Schedule of Findings Federal Award Findings And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Central Services

REF NO: 01-580-001

STATE AGENCY: Department of Central Services

FEDERAL AGENCY: General Services Administration

CFDA NO: 39.003

FEDERAL PROGRAM NAME: Donation of Federal Surplus Personal Property

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Special Tests and Provisions - Inventory

QUESTIONED COSTS: Undeterminable

Criteria: According to 41CFR 101-44.202(c)(3), Inventory Control and Accounting Systems, “The State plan shall require the State agency to use a management control and accounting system that will effectively govern the utilization, inventory control, accountability, and disposal of donable surplus property.”

According to the State Plan of Operation, “The State Agency will maintain an inventory accounting system which will reflect all property received, donated, and warehoused.”

An effective system of internal controls should provide for an accounting system that provides reliable reports.

Condition: The Department was unable to provide accurate and reliable inventory records.

Effect: The Department is not in compliance with federal regulations or the State Plan of Operation.

Recommendation: We recommend the Department implement internal controls to ensure that inventory reports are accurate and reliable, thereby complying with federal regulations and the State Plan of Operation.

Management’s Corrective Action Plan

Contact Person: Pam Cook

Anticipated Completion Date: July 1, 2001

Corrective Action Planned: The new inventory control system was put into place on July 3, 2001. Every aspect and phase has been monitored and tested. Monthly balancing reports are prepared, reconciled and reviewed to ensure the inventory system is operating appropriately and the integrity of the inventory data is maintained.

REF NO: 01-580-003

STATE AGENCY: Department of Central Services

FEDERAL AGENCY: General Services Administration

CFDA NO: 39.003

FEDERAL PROGRAM NAME: Donation of Federal Surplus Personal Property

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Eligibility

Criteria: According to management, controls for this program include a policy and procedure manual that describes the process for determining eligibility.

Schedule of Findings Federal Award Findings And Questioned Costs

Condition: The policy and procedures manual describes job duties by employee, but does not describe the eligibility determination process.

Effect: Without specific guidelines for eligibility determination, ineligible donees could be approved to receive federal surplus personal property.

Recommendation: We recommend that policies and procedures for eligibility determination be developed.

Management's Corrective Action Plan

Contact Person: Drenda West

Anticipated Completion Date: April 1, 2002

Corrective Action Planned: Copies of the relative paragraphs of the CFR and "Eligibility Application Check List" will be included in the policy and procedures manual. The checklist is and will continue to be used as a guideline for approving eligibility. Current staff members who process and approve eligibility have been to no less than three GSA Eligibility and Compliance Training classes and will attend refresher courses every two to three years when classes are offered and approved.

REF NO: 01-580-004

STATE AGENCY: Department of Central Services

FEDERAL AGENCY: General Services Administration

CFDA NO: 39.003

FEDERAL PROGRAM NAME: Donation of Federal Surplus Personal Property

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: Undeterminable

Criteria: According to 41CFR 101-44.4701(e), the state agency for surplus property is required to submit GSA Form 3040, *State Agency Monthly Donation Report of Surplus Personal Property*, to the GSA regional office each quarter.

According to OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §__.205(g), the value of surplus property assistance to be presented on the Schedule of Expenditures of Federal Awards is the assessed value, provided by the federal agency, of property at the time of receipt.

An effective system of internal controls should include controls to ensure records are reliable.

Condition: The Department was unable to provide reliable inventory records to support the 3040 reports prepared during state fiscal year 2001 and the Schedule of Expenditures of Federal Awards.

Effect: Without reliable inventory records, it is possible that both the 3040 reports submitted during state fiscal year 2001 and the expenditures reported on the Schedule of Expenditures of Federal Awards are incorrect.

Recommendation: We recommend the Department establish and implement controls to ensure records are reliable. We also recommend appropriate and reliable records be available to support all reports.

Management's Corrective Action Plan

Contact Person: Pam Cook and Lisa McKim

Anticipated Completion Date: July 1, 2001

Corrective Action Planned: The new inventory control system was put into place on July 3, 2001. Every aspect and phase has been monitored and tested. Monthly balancing reports are prepared, reconciled and reviewed to ensure the inventory system is operating appropriately and the integrity of

Schedule of Findings Federal Award Findings And Questioned Costs

the inventory data is maintained. The 3040 report is prepared quarterly and reviewed by the Senior Auditor prior to submission to GSA to ensure the 3040 report is accurate and properly supported.

REF NO: 01-580-005
STATE AGENCY: Department of Central Services
FEDERAL AGENCY: General Services Administration
CFDA NO: 39.003
FEDERAL PROGRAM NAME: Donation of Federal Surplus Personal Property
FEDERAL AWARD NUMBER: N/A
FEDERAL AWARD YEAR: N/A
CONTROL CATEGORY: Special Test and Provisions – Fair and Equitable Distribution and Fees
QUESTIONED COSTS: Undeterminable

Criteria: According to the State Plan of Operations, “Property which is located, transported, and warehoused by the State Agency will be assessed a service and handling charge based on Agency costs for administration, screening, accounting, warehousing, maintenance and replacement of facilities and equipment, utilization, expense, and document processing. The age, condition, desirability, and usability of an item will be considered in establishing a fair service and handling charge. This basic charge will not exceed 10% of the fair value or acquisition cost.”

Condition: The Department does not adhere to the criteria for determining handling fees submitted to GSA in the State Plan of Operation, nor does the Department have a systematic method for assigning handling fees. During the internal control assessment, the Program Administrator stated that calculating handling fees was an arbitrary issue. DCS does not have a method of tracking administration, warehousing, and screening costs along with other expenses; therefore DCS is not able to apply these costs to individual items. DCS estimates the handling cost associated with an item; calculating this estimate involves reviewing handling fees charged for other like items.

Effect: Department of Central Services – Surplus Property is not in compliance with the State Plan of Operation.

Recommendation: We recommend the Department adhere to its State Plan of Operation.

Management’s Corrective Action Plan

Contact Person: Olen Arnold
Anticipated Completion Date: July 2, 2002
Corrective Action Planned: A rewrite of the State Plan of Operation has been sent to GSA. Included in the State Plan of Operation are suggested changes provided by the Property Management Division Director of GSA to increase the allowable percentage of service charge to general acquisition cost 45%.

REF NO: 01-580-006
STATE AGENCY: Department of Central Services
FEDERAL AGENCY: General Services Administration
CFDA NO: 39.003
FEDERAL PROGRAM NAME: Donation of Federal Surplus Personal Property
FEDERAL AWARD NUMBER: N/A
FEDERAL AWARD YEAR: N/A
CONTROL CATEGORY: Special Test and Provisions – Fair and Equitable Distribution and Fees
QUESTIONED COSTS: \$-0-

Criteria: According to the State Plan of Operations, “Determining factors in equitable distribution will be relative needs and resources of eligible donees or recipients and their ability to utilize property....

Schedule of Findings Federal Award Findings And Questioned Costs

Eligibility application forms will request program information from the applicant...,funding source and availability...,and a Major Item Want List....”

Condition: The Department does not maintain application information in a central database, making it difficult to determine specific items requested by each donee.

Effect: It is possible that distribution is not being made on a fair and equitable basis.

Recommendation: We recommend the Department maintain a master Want List by donee, thereby ensuring that each donee requesting a specific item of property will be considered for the distribution.

Management’s Corrective Action Plan

Contact Person: Olen Arnold

Anticipated Completion Date: July 2, 2002

Corrective Action Planned: A rewrite of the State Plan of Operation has been sent to GSA. Included in the State Plan of Operation is a request to remove the major item request list from the application and set up a major item want list as a separate process. This was verbally approved by GSA 6+years ago.

REF NO: 01-580-009

STATE AGENCY: Department of Central Services

FEDERAL AGENCY: General Services Administration

CFDA NO: 39.003

FEDERAL PROGRAM NAME: Donation of Federal Surplus Personal Property

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Special Test and Provisions – Compliance and Utilization

QUESTIONED COSTS: \$-0-

Criteria: GSA June 29, 1994 memo written by Lester D. Gray, Jr. in regards to the Requirements for Donated Aircraft and Vessels During the Period of Restrictions stated the following:

“The 1988 memorandum requested that SASPs conduct annual utilization surveys on all donated aircraft, including combat-type aircraft restricted in perpetuity, and vessels 50 feet or more in length. The annual surveys are to be conducted through on-site visits or in the form of a mailed questionnaire to the donees. The SASPs are to conduct at least one on-site visit during the applicable 5-year use restriction period to inspect and verify the proper use of each donated non-combat-type aircraft and vessels; and at least one on-site visit shall be made every 5-years on donated combat-type aircraft which are under perpetual restrictions.”

Condition: The Department does not maintain a comprehensive database for aircraft donations, nor does the Department monitor the compliance requirements for aircraft 5-year compliance period.

Effect: Without documentation of monitoring activity for donated aircraft items, federal surplus property is subject to misuse.

Recommendation: We recommend the Department implement procedures to ensure that federal surplus property is sufficiently monitored in compliance with federal regulations.

Management’s Corrective Action Plan

Contact Person: Olen Arnold, Pam Cook

Anticipated Completion Date: April 1, 2002

Corrective Action Planned: All aircraft files have been reorganized. Logs and spreadsheets are being compiled to facilitate tracking and compliance inspections.

Schedule of Findings Federal Award Findings And Questioned Costs

Department of Civil Emergency Management

REF NO: 01-309-002
STATE AGENCY: Department of Civil Emergency Management
FEDERAL AGENCY: Federal Emergency Management Agency
CFDA NO: 83.544
FEDERAL PROGRAM NAME: Public Assistance Grants
CONTROL CATEGORY: Cash Management
QUESTIONED COSTS: \$-0-

Criteria: A-102 Common Rule (§-.21) states, “Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursements by the grantee, in accordance with Treasury regulations at 31 CFR part 205.”

In addition, the Disaster Grant Agreement Articles, Exhibit C states in relevant part, “Grantee shall be paid using the HHS Smartlink System, provided Grantee maintains and complies with procedures for minimizing the time between transfer of funds from the US Treasury and disbursement by the Grantee and Subgrantees. The Grantee commits itself to initiating cash draw downs only when actually needed for its disbursements....”

Condition: During testwork, we noted sixteen cash draws were not expended in a manner that would minimize the time elapsing between the transfer of funds and disbursement.

Effect: The agency is not in compliance with subpart B of 31 CFR part 205.

Recommendation: We recommend the Agency comply with 31 CFR part 205 subpart B and minimize the time elapsed between the deposit of funds and disbursement.

Management’s Corrective Action Plan:

Contact Person: Ron Hill

Anticipated Completion Date: 2/28/02

Corrective Action Planned: The Agency has implemented a procedure requiring draws to be done only for claims in hand, and payment to be made within three days.

REF NO: 01-309-005
STATE AGENCY: Department of Civil Emergency Management
FEDERAL AGENCY: Federal Emergency Management Agency
CFDA NO: 83.544
FEDERAL PROGRAM NAME: Public Assistance Grants
CONTROL CATEGORY: Reporting

Criteria: A component objective of Governmental Generally Accepted Accounting Principles is to provide for reliability of information.

Condition: During our documentation of internal controls, we noted that management had not established controls to perform monthly reconciliations of expenditures to the Office of State Finance.

Effect: Federal reports may not be reliable.

Recommendation: We recommend the Agency establish and maintain an internal expenditure record and reconcile it monthly to the Office of State Finance expenditure by fund reports.

Management’s Corrective Action Plan:

Schedule of Findings Federal Award Findings And Questioned Costs

Contact Person: Ron Hill

Anticipated Completion Date: 2/28/02

Corrective Action Planned: ODCEM has developed and implementing a reconciliation procedure with OSF.

Department of Education

REF NO: 01-265-007

STATE AGENCY: Department of Education

FEDERAL AGENCY: Department of Education

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title I Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A000036A

FEDERAL AWARD YEAR: 2000

CONTROL CATEGORY: Subrecipient Monitoring, Special Test and Provisions-Comparability

QUESTIONED COSTS: \$-0-

Criteria: OMB Circular A-133, Subpart D § __.400.d.3 states that a pass-through entity shall, “Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contract or grant agreements and that performance goals are achieved.” Although not written, Title I personnel verbally stated it was Department policy to monitor each subrecipient at least once every three years.

Federal requirements state that an LEA may receive funds under Title I, Part A only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A funds. If all schools are served by Title I, Part A or MEP, an LEA must use State and local funds to provide services that, taken as a whole, are substantially comparable in each school. Determinations may be made on either a district-wide or grade-span basis. An LEA may exclude schools with fewer than 100 students from its comparability determinations. The comparability requirement does not apply to an LEA that has only one school for each grade span.

Each LEA must develop procedures for complying with the comparability requirements and 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 (Title I, Section 1120A(c) of ESEA (20 USC 6322(c))).

Condition: During review of the Department’s monitoring procedures we noted:

1. There were no written procedures addressing the Department’s monitoring efforts.
2. The Department did not monitor one-third of the Title I subrecipients. During fiscal year 2001 there were 531 Title I subrecipients. Documentation provided by the Department indicates only 46, or 9%, of the subrecipients were monitored. This documentation also shows that none of these 46 subrecipients had been monitored since at least fiscal year 1996.
3. The monitoring performed by the Department is one of the primary tools used to ensure LEA’s are in compliance with the comparability requirement. During the monitoring process, Department personnel are to review agency records to ensure compliance with the comparability requirement. As a result, the Department’s monitoring efforts are critical to ensuring LEAs are complying with the comparability requirements.

Schedule of Findings Federal Award Findings And Questioned Costs

For twelve of the 46 subrecipients monitored, we reviewed the Title I Program Review Checklist that documents the procedures performed during the monitoring visit. However, the Department was unable to locate the checklist for one subrecipient.

Effect: With a more comprehensive monitoring system in place, errors and irregularities at the subrecipient level are more likely to be detected and corrected in a timely manner.

Recommendation: We recommend the Department adopt written procedures regarding the monitoring process. While not a comprehensive listing, these procedures should address:

- The frequency of monitoring. We recommend the Department adopt a policy stating that each subrecipient will be monitored on a rotating basis. Due to the large number of subrecipients, it is not practical to expect each subrecipient to be monitored each year; however, we recommend each subrecipient be monitored at least once every three, four or five years. The Department may also want to consider other factors in determining its monitoring schedule. These factors may include the amount of funds passed through to the subrecipients, the results of subrecipient's prior monitorings and other factors that may cause the subrecipient to be higher risk.
- The procedures to be performed during the monitoring. The procedures should ensure the subrecipients are in compliance with program requirements and assist in identifying problems with the administration and performance of the award.
- The follow-up of monitoring. The procedures should ensure the Department prepares a written report of the results of the monitoring. This would include the findings and any recommendations noted during the monitoring. Procedures should also be documented to ensure any findings are corrected.
- The documentation maintained as a result of monitoring. The procedures should detail the types of documentation maintained in the subrecipients file. A checklist of all required documentation may be developed to ensure the documentation is included in the file. This will also assist staff in preparing for future monitoring visits.

Management's Corrective Action Plan

Contact Person: Carol Lingreen, Team Leader Title I

Anticipated Completion Date:

Corrective Action Planned:

Frequency of Monitoring

Each local educational agency (LEA) will be monitored once every five (5) years. (This is comparable to the federal monitoring schedule).

Other monitoring priorities are as follows:

- Complaints-It is the Oklahoma State Department of Education's (OSDE) policy to monitor within thirty days any project for which we have received a written complaint.
- The amount of funds that project receives-Any project that has less than \$300,000 in federal funds
- Projects that are at a higher risk-Projects that have had problems in past monitorings

Procedures to be Performed During Monitoring

- Letter setting date of monitoring (sent two weeks prior to monitoring)
- Program checklist (sent two weeks prior to monitoring)
- Person(s) conducting monitoring will take copies of Title I Plan, application, and comparability report-Compare these documents with the Title I program that is actually being implemented.
- Copy of latest accreditation report-Check what personnel are being paid with federal funds. Check time and effort logs (or class schedule) for personnel partially paid with Title I funds.

Schedule of Findings Federal Award Findings And Questioned Costs

- Complete checklist.
- Examine financial documentation of expenditures.

Monitoring Follow-up

- Prepare a written report to the LEA within two weeks of monitoring visit. LEAs will have 30 days to correct any areas of non-compliance.
- Follow-up to ensure finding are corrected.

Documentation Maintained as a Result of Monitoring

- Letter setting date of monitoring
- Completed program checklist
- Written report and letter to LEA
- Response from LEA on any issues of non-compliance
- Written follow-up on corrected findings

REF NO: 01-265-008

STATE AGENCY: Department of Education

FEDERAL AGENCY: Department of Education

CFDA NO: 84.027, 84.173

FEDERAL PROGRAM NAME: Special Education-Grants to States (IDEA, Part B), Special Education-Preschool Grants (IDEA Preschool)

FEDERAL AWARD NUMBER: H173A000084

FEDERAL AWARD YEAR: FFY 2000

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$-0-

Criteria: OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, subpart D §__.400(d)(3), states that a pass-through entity shall, “Monitor the activities of subrecipient’s as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Condition: The Department has proposed monitoring procedures that call for self-assessments on all local educational agencies (LEA’s) each year, and as necessary, the Department may perform an on-site review at the LEA. However, as of June 30, 2001, these procedures are not yet in use.

As a result, the Department performed *Comprehensive Review Monitorings* on only thirteen LEA’s during fiscal year 2001. These monitorings were performed as a result of complaints being filed against the LEA, longevity since prior review, discrepancies found during child count data processing, etc. These thirteen LEA’s received \$3,458,000.86 in IDEA, Part B and IDEA Preschool funds during fiscal year 2001 and represent 6.13% of the funds spent by the 544 LEA’s.

In addition, the Department performed *Focused Review Monitorings* on thirteen LEA’s (9 different districts) during fiscal year 2001. These monitorings were performed as a result of complaints being filed against the LEA. They were limited in review covering only the specific grievance expressed by the complainant.

Cause: The Department is in the process of revising its monitoring procedures.

Effect: With a more comprehensive monitoring system in place, errors and irregularities at the subrecipient level are more likely to be detected and corrected in a timely manner.

Schedule of Findings Federal Award Findings And Questioned Costs

Recommendation: We recommend the Department continue its efforts to implement the proposed monitoring procedures. However, until the procedures are fully implemented, we recommend the Department ensure an adequate number of LEA's receive comprehensive review monitorings. As an example, the Department previously had a policy requiring each LEA to receive a review once every four years. In effect, this required 25% of the LEA's to be monitored each year. We believe the number of LEA's monitored under this process to be adequate.

Management's Corrective Action Plan

Contact Person: John Corpolongo, Assistant State Superintendent, Special Education Services

Anticipated Completion Date: June 30, 2002

Corrective Action Planned:

The Oklahoma State Department of Education, Special Education Services, agrees with the recommendations of the auditor's office, referenced to the audit finding above, to complete and begin implementation of, out agency's new monitoring procedures to implement the 1997 Amendments to the Individuals with Disabilities Education Act (IDEA). As neither the statute, nor federal regulations, of the IDEA, nor OMB Circular A-133, subpart D §__400(d)(3) are specific as to how many local education agencies (LEAs) shall be monitored in a comprehensive fashion on an annual basis, Special Education Services will initiate a meeting with the State Auditor's office to discuss this issue further and to arrive at a mutually-agreeable methodology to meet this standard, in accordance with the agency's new monitoring procedures being developed.

This meeting will be initiated upon the filing of this corrective action plan with the State Auditor's office.

Auditor Response: A meeting was held between the State Auditor's Office and the Office of Special Education to discuss the agency's new monitoring procedures. We will continue to offer the Department assistance in developing its monitoring procedures.

REF NO: 01-265-010

STATE AGENCY: Department of Education

FEDERAL AGENCY: Department of Education

CFDA NO: 84.027, 84.173, 84.010, 84.340 (This could potentially affect all Federal programs)

FEDERAL PROGRAM NAME: Special Education-Grants to States (IDEA, Part B), Special Education-Preschool Grants (IDEA Preschool), Title I Grants to Local Educational Agencies (LEAs), Class Size Reduction

FEDERAL AWARD NUMBER: Various

FEDERAL AWARD YEAR: Various

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 5.20), information services function management should ensure that systems security safeguards information against unauthorized use, disclosure or modification and damage or loss by having logical access controls in place that ensure that access to systems, data and programs are restricted to authorized users.

Condition: It appears that firewall architecture does not adequately safeguard information against unauthorized use, disclosure or modification and damage or loss.

Cause: Tandem system was not positioned inside of the firewall.

Effect: Due to the system not being placed behind the firewall this could result in the potential loss of:

- Financial Data;

Schedule of Findings Federal Award Findings And Questioned Costs

- Client Information;
- Organizational Structure Documentation;
- Federal Reporting Data.

Recommendation: We recommend the Department place all systems behind the firewall with the firewalls having the following properties:

- All traffic from inside to outside, and vice-versa, must pass through the firewall;
- Only authorized traffic, as defined by security policy, will be allowed to pass;
- Firewall itself is immune to penetration;
- Firewall architecture should be configured according to the “minimal art philosophy”;
- Firewall architecture hides the structure of the internal network;
- Organization’s host, which provide support for incoming service requests from the public network, are sitting outside the firewall;
- All executable code is scanned for malicious code before it is introduced to the internal network

Management’s Corrective Action Plan

Contact Person: Patti High, Information Systems Director

Anticipated Completion Date: January 2002

Corrective Action Planned: The Tandem mainframe was located behind the firewall, but network security was vulnerable due to our compromised network configuration. A major network upgrade was installed and configured in November 2001. A firewall upgrade is scheduled in December 2001. Reconfiguration of the network to establish a DMZ for our public accessible servers will be completed by early January 2002. Once that is completed, all devices on the internal network will have private IP addresses. The firewall will hide the internal structure from outside traffic and will have secure control, allowing only authorized outside traffic access to internal devices.

Employment Security Commission

A special audit of the Welfare to Work and Workforce Investment Act programs was conducted by the State Auditor’s Office. The scope of the special audit covered the period July 1, 1998 through December 31, 2000. Questioned costs were noted during this audit and a copy of this report has been provided to the U.S. Department of Labor.

REF NO: 01-290-001

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.255

FEDERAL PROGRAM NAME: Workforce Investment Act

FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150

FEDERAL AWARD YEAR: 1999, 2000, 2001

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: An objective of governmental generally accepted accounting principles is to demonstrate proper accounting of records in order to provide reliable information. To ensure proper accounting of records for reliable information, a manual or electronic system should be functioning to provide proper evidential matter.

Schedule of Findings Federal Award Findings And Questioned Costs

Condition: We noted that the records compiled and maintained by the Oklahoma Employment Security Commission for its performance report at 6/30/01 did not agree with the annual report ending 6/30/01. These reports were submitted to the U. S. Department of Labor.

<u>Funding Streams Reported</u>	<u>Participants Reported Performance Report at 6/30/01</u>	<u>Participants Reported Annual Report at 6/30/01</u>	<u>Variance</u>
Adults	3498	3016	482
Dislocated Workers	1887	979	908
Younger Youth	497	1991	-1494
Older Youth	154	724	-570

Also, support documentation was not provided for the figures presented in the performance report.

Cause: The system used to compile data for the Workforce Investment Areas is not maintaining accurate data.

Effect: When proper accounting of records are not maintained; information reported to the U. S. Department of Labor may not be reliable.

Recommendation: We recommend Oklahoma Employment Security Commission establish a record keeping system that maintains reliable Workforce Investment Area Locals performance numbers.

Management's Corrective Action Plan

Contact Person: Terry Watson, Director
Employment and Training

Anticipated Completion Date:

Corrective Action Planned: We agree with these findings and are already in the final stage of a plan to implement a new system. The system that was initially installed to track WIA client data has proven to be unreliable. The discrepancy between the participants reported on the quarterly report filed June 31, 2001 and the annual report for PY ending June 31, 2001 was due to corrections that were made. When the June 31 quarterly report was filed, any inaccuracies were to be corrected with the filing of the annual report in December of 2001. The data pulled from the PACE (old system) in June was found to be inaccurate due to data entry errors, but primarily due to the failure of the PACE system itself to produce reliable reports. Numbers were adjusted accordingly and corrections made on the annual report per DOL instructions.

Participant documentation that was provided for the PY 00 annual report also applies to the June 31, 2001 quarterly report that was considered corrected with the filing of the PY 2000 annual report.

We are in the process of training all local front line staff in the new Service Link system. This is a product of America's Job Link Alliance, and is a DOL supported tracking system. In addition to training on the new system, we are also training on the importance and the requirement to accurately enter data into the system, and to keep appropriate supporting documentation on local files. We have already done a test run of a quarterly report using the new system, and believe that this system will produce reliable reports, and allow local areas to better track clients. We believe that when this system is fully implemented that it will comply with the requested action plan.

REF NO: 01-290-002

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.255

FEDERAL PROGRAM NAME: Workforce Investment Act

FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150

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FEDERAL AWARD YEAR: 1999, 2000, 2001

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0-

Criteria: An objective of governmental generally accepted accounting principles is to demonstrate proper accounting of records in order to provide reliable information. To ensure proper accounting of records for reliable information, a manual or electronic system should be functioning to provide proper evidential matter.

Condition: For testwork performed on the Workforce Investment Act Annual Report for performance numbers, we noted one of the four funding streams reported did not agree with agency records.

<u>Local Areas for Dislocated Workers</u>	<u>Reported to USDOL</u>	<u>Agency Records</u>	<u>Report Overstated</u>	<u>Report Understated</u>
Central	191	189	2	
Cleveland	52	69		17
East Central	68	69		1
Eastern	103	104		1
North Central	70	71		1
Northeast	101	32	69	
Northwest	37	38		1
South Central	107	108		1
Southeast	88	89		1
Southern	25	26		1
Tulsa	316	317		1

Cause: The system used to compile data for the Workforce Investment Areas is not maintaining accurate data.

Effect: When proper accounting of records are not maintained, information reported to the U. S. Department of Labor may not be reliable.

Recommendation: We recommend Oklahoma Employment Security Commission establish a record keeping system that maintains reliable Workforce Investment Area Locals performance numbers.

Management's Corrective Action Plan

Contact Person: Terry Watson, Director Employment and Training

Anticipated Completion Date:

Corrective Action Planned: We agree with these findings and are already in the final stage of a plan to implement a new system. The system that was initially installed to track WIA client data has proven to be unreliable. The discrepancy between the participants reported on the quarterly report filed June 31, 2001 and the annual report for PY ending June 31, 2001 was due to corrections that were made. When the June 31 quarterly report was filed, any inaccuracies were to be corrected with the filing of the annual report in December of 2001. The data pulled from the PACE (old system) in June was found to be inaccurate due to data entry errors, but primarily due to the failure of the PACE system itself to produce reliable reports. Numbers were adjusted accordingly and corrections made on the annual report per DOL instructions.

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Participant documentation that was provided for the PY 00 annual report also applies to the June 31, 2001 quarterly report that was considered corrected with the filing of the PY 2000 annual report.

We are in the process of training all local front line staff in the new Service Link system. This is a product of America's Job Link Alliance, and is a DOL supported tracking system. In addition to training on the new system, we are also training on the importance and the requirement to accurately enter data into the system, and to keep appropriate supporting documentation on local files. We have already done a test run of a quarterly report using the new system, and believe that this system will produce reliable reports, and allow local areas to better track clients. We believe that when this system is fully implemented that it will comply with the requested action plan.

REF NO: 01-290-003

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.255

FEDERAL PROGRAM NAME: Workforce Investment Act

FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150

FEDERAL AWARD YEAR: 1999, 2000, 2001

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$-0-

Criteria: The overall objective of generally accepted governmental accounting principles is to provide reliable and comparable information.

Condition: The number of participants reported to us by the Oklahoma Employment Security Commission and the number of participants reported by each Investment Area tested do not match.

COMPARISON OF AREA AND OESC NUMBERS

ADULT

AREA	OESC POPULATION	AREA POPULATION	DIFFERENCE
Central	568	111	457
East Central	245	204	41
South Central	239	267	-28

YOUTH

AREA	OESC POPULATION	AREA POPULATION	DIFFERENCE
Central	195	145	50
East Central	257	201	56
South Central	333	315	18

DISLOCATED WORKERS

AREA	OESC POPULATION	AREA POPULATION	DIFFERENCE
Central	191	300	-109
East Central	68	85	-17
South Central	107	177	-70

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We also noted that there was a difference in the number of Dislocated Workers reported in the Annual Report and the number of reported participants in the worksheets, which made up the annual report. This difference was only off by one for each of the three areas tested (Central, East Central, and South Central).

COMPARISON OF OESC AND ANNUAL REPORT NUMBERS

DISLOCATED WORKERS

AREA	OESC POPULATION	ANNUAL REPORT POPULATION	DIFFERENCE
Central	190	191	-1
East Central	69	68	1
South Central	108	107	1

We also noted that the number of participants reported verbally to us by each local area did not match the list of participants provided to us by each local area.

COMPARISON OF ORIGINAL NUMBERS GIVEN BY AREA AND LISTED PARTICIPANTS

ADULT

AREA	VERBAL ORIGINAL NUMBERS	ACTUAL LISTED NUMBERS	DIFFERENCE
Oklahoma City (Central)	101	111	-10
Shawnee (East Central)	58	54	4

YOUTH

AREA	VERBAL ORIGINAL NUMBERS	ACTUAL LISTED NUMBERS	DIFFERENCE
Oklahoma City (Central)	115	145	-30
Shawnee (East Central)	61	46	15

DISLOCATED WORKERS

AREA	VERBAL ORIGINAL NUMBERS	ACTUAL LISTED NUMBERS	DIFFERENCE
Oklahoma City (Central)	210	300	-90

Cause: The PACE system does not allow changes to be made after the initial entry is made and reports may not be printed for different criteria, therefore many different reporting systems exist. The information must be input into these different systems after a manual count is determined, which leaves room for miscalculations.

Effect: Reporting of participants may not be reliable and comparable.

Recommendation: We recommend OESC and Workforce Investment Areas provide reliable and comparable information.

Management's Corrective Action Plan

Contact Person: Terry Watson, Director Employment and Training Division

Anticipated Completion Date:

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Corrective Action Planned: These findings all relate to discrepancies in data. We agree with these findings and are already in the final stage of a plan to implement a new system. The system that was initially installed to track WIA client data has proven to be unreliable. The discrepancy between the participants reported on the quarterly report filed June 31, 2001 and the annual report for PY ending June 31, 2001 was due to corrections that were made. When the June 31 quarterly report was filed any inaccuracies were to be corrected with the filing of the annual report in December of 2001. The data pulled from the PACE (old system) in June was found to be inaccurate due to data entry errors, but primarily due to the failure of the PACE system itself to produce reliable reports. Numbers were adjusted accordingly and corrections made on the annual report per DOL instructions.

Participant documentation that was provided for the PY00 annual report also applies to the June 31, 2001 quarterly report that was considered corrected with the filing of the PY 2000 annual report. We are in the process of training all local front line staff in the new Service Link system. This is a product of America's Job Link Alliance, and is a DOL supported tracking system. In addition to training on the new system, we are also training on the importance and the requirement to accurately enter data into the system, and to keep appropriate supporting documentation on local files. We have already done a test run of a quarterly report using the new system, and believe that this system will produce reliable reports, and allow local areas to better track clients. We believe that when this system is fully implemented that it will comply with the requested action plan.

REF NO: 01-290-004

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.255

FEDERAL PROGRAM NAME: Workforce Investment Act

FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150

FEDERAL AWARD YEAR: 1999, 2000, 2001

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$-0-

Criteria: According to WIA Public Law (29 USC 2801 Sec. 101.34) the definition of a participant is:

The term "participant" means an individual who has been determined to be eligible to participate in and who is receiving services (except follow-up services authorized under this title) under a program authorized by this title. Participation shall be deemed to commence on the first day, following determination of eligibility, on which the individual began receiving subsidized employment, training, or other services provided under this title.

According to Title 20CFR666.140:

- (a) (1) The core indicators of performance apply to all individuals who are registered under 20 CFR 663.215 for the adult, dislocated worker and youth programs, except for those adults and dislocated workers who participate exclusively in self-service or informational activities. (WIA sec. 136(b) (2) (A).)
- (2) Self service and informational activities are those core services that are made available and accessible to the general public, that are designed to inform and educate individuals about the labor market and their employment strengths, weaknesses, and the range of services appropriate to their situation, and that do not require significant staff involvement with the individual in terms of resources or time.
- (b) For registered participants, a standardized record that includes appropriate performance information must be maintained in accordance with WIA section 185 (a) (3).

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- (c) Performance will be measured on the basis of results achieved by registered participants, and will reflect services provided under WIA title I, subtitle B programs for adults, dislocated workers and youth. Performance may also take into account services provided to participants by other One-Stop partner programs and activities, to the extent that the local MOU provides for the sharing of participant information.

According to Public Law (29 USC 2935 Sec. 185.a.3.)

MAINTENANCE OF STANDARDIZED RECORDS – In order to allow for the preparation of the reports required under subsection (c), such recipients shall maintain standardized records for all individual participants and provide to the Secretary a sufficient number of such records to provide for adequate analysis of the records.

Condition: During testwork performed, we found that there was not proper maintenance of files for five (5) participants at the Workforce Development office.

Cause: The One-Stop reported the individuals as participants when they had not returned to the facility to finish eligibility determination.

Effect: The reporting of participants is not reliable.

Recommendation: We recommend that each Local Area report individuals as participants as specified in the Public Law and the CFR. We also recommend the reporting criteria is made clear to each area by Oklahoma Employment Security Commission.

Management's Corrective Action Plan

Contact Person: Terry Watson, Director Employment and Training Division

Anticipated Completion Date:

Corrective Action Planned: These findings all relate to discrepancies in data. We agree with these findings and are already in the final stage of a plan to implement a new system. The system that was initially installed to track WIA client data has proven to be unreliable. The discrepancy between the participants reported on the quarterly report filed June 31, 2001 and the annual report for PY ending June 31, 2001 was due to corrections that were made. When the June 31 quarterly report was filed any inaccuracies were to be corrected with the filing of the annual report in December of 2001. The data pulled from the PACE (old system) in June was found to be inaccurate due to data entry errors, but primarily due to the failure of the PACE system itself to produce reliable reports. Numbers were adjusted accordingly and corrections made on the annual report per DOL instructions.

Participant documentation that was provided for the PY00 annual report also applies to the June, 31, 2001 quarterly report that was considered corrected with the filing of the PY 2000 annual report. We are in the process of training all local front line staff in the new Service Link system. This is a product of America's Job Link Alliance, and is a DOL supported tracking system. In addition to training on the new system, we are also training on the importance and the requirement to accurately enter data into the system, and to keep appropriate supporting documentation on local files. We have already done a test run of a quarterly report using the new system, and believe that this system will produce reliable reports, and allow local areas to better track clients. We believe that when this system is fully implemented that it will comply with the requested action plan.

REF NO: 01-290-005

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.255, 17.253

FEDERAL PROGRAM NAME: Workforce Investment Act, Welfare to Work

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FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150 & Y-6679-8-00-81-50,
Y-7755-9-00-81-50

FEDERAL AWARD YEAR: 1999, 2000, 2001 & 1998, 1999

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0-

Criteria: According to Office of Management and Budget Circular A-133, Subpart E - Federal Agencies and Pass – Through Entities, .400, Responsibilities, Subpart D:

Pass – through entity shall perform the following for the Federal awards it makes... (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

According to the Rules for the Administration of the Oklahoma Employment Security Act Chapter 21, Title 240, Subchapter 7, 240:21-7-1, Monitoring:

OESC will annually monitor each local area pursuant to the requirements set forth in WIA section 184 (a)(4) and 20 CFR section 667.410.

Condition: For the audit period, the monitoring tool used by OESC was “observations.” Based on a review of documentation, observations are not an adequate monitoring tool. The observations did not provide evidence that the subrecipients used federal funds for authorized purposes and that the subrecipient’s activities were allowable and were in accordance with the allowable cost/costs principle requirements.

Effect: Documentation was not adequate to provide evidence that sufficient monitoring was performed.

Recommendation: We recommend Oklahoma Employment Security Commission document its monitoring process to provide evidence that federal funds were tested in order to determine compliance with Federal regulations.

Management’s Corrective Action Plan

Contact Person: Terry Watson, Director of Employment and Training

Anticipated Completion Date: 3/14/02

Corrective Action Planned: We do not agree with the implication that monitoring was not performed. Our Monitors were in each local area and visited each sub-recipient during the 12- month period as required by OESC policy. They reviewed files to determine that funding and programs were in compliance with federal and state laws. We do agree that the process of gathering proper documentation can and will be improved.

We agree that it is imperative, for the integrity of the programs and the Workforce System, that monitoring take place. We take seriously, our monitoring responsibility, and continue to review and update our monitoring tools to ensure that we are reviewing all necessary documentation and providing necessary technical assistance. In July of 2001, training was held for all local areas on monitoring issues, and the expectations and requirements of monitoring. In September of 2001 we issued policy on the roles and responsibilities of local boards, councils, and fiscal agents. This document included the requirement for the local boards to monitor local service providers. On February 27, 2002 we had a training session with a national WIA consultant on monitoring issues. These are all efforts to continually improve, and expand the effectiveness of our monitoring efforts. Our intent is to ensure we are monitoring the workforce system as envisioned by the WIA legislation. Now that we are in the 2nd year of implementation, we are including findings in our monitoring reports as was done prior to the JTPA to WIA transition period. With the new policies, continued training, updating of the monitoring tools, and the inclusion of findings in the monitoring reports, we believe corrective action has been accomplished.

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Department of Health

REF NO: 01-340-001

STATE AGENCY: State Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.777

FEDERAL PROGRAM NAME: State Survey and Certification of Health Care Providers and Suppliers

FEDERAL AWARD NUMBER: 050105OK5001

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Special Tests and Provisions – Health and Safety Standards

QUESTIONED COSTS: \$-0-

Criteria: According to 42 CFR 488.308, “Survey frequency. (a) Basic period. The survey agency must conduct a standard survey of each SNF and NF not later than 15 months after the last day of the previous standard survey.” The surveys determine whether the providers and suppliers of health care services under the Medicaid program are in compliance with regulatory health and safety standards and conditions of participation in the Medicaid program.

Condition: We selected a sample of 40 providers to ensure the Department was performing surveys in accordance with 42 CFR 488.308. For each provider, we obtained the date of the survey completed during, or closest to the beginning of, our audit period (the “base survey”). We then compared the date of the survey performed before and after the base survey to determine compliance with the 15-month requirement. For those providers that did not had a survey performed after the base survey, we used the current date (March 29, 2002) as the date to determine if a survey had been performed in a 15-month period. Of the 80 comparisons made, we noted 27 instances in which the survey was not conducted within a 15- month period.

- 3 surveys were conducted in the 16th month
- 7 surveys were conducted in the 17th month
- 8 surveys were conducted in the 18th month
- 5 surveys were conducted in the 19th month
- 1 survey was conducted in the 20th month
- 2 surveys were conducted in the 21st month
- 1 survey was conducted in the 25th month

Cause: A contributing factor to the late surveys was that preceding our audit period the Department experienced a substantial increase in the number of complaints filed against nursing facilities. This increase caused a backlog of complaint investigations. As a result, much of the Department’s staff has been devoted to conducting complaint investigations which has caused the scheduling of standard surveys to fall behind.

Effect: Providers of Medicaid services may not be in compliance with Federal regulatory health and safety standards and conditions of participation in the Medicaid program.

Recommendation: We recommend the Department continue its effort to clear the backlog of complaint investigations and ensure standard surveys are conducted within a 15-month period.

Management’s Corrective Action Plan

Contact Person: Peggy Wiebener, Deputy Commissioner Protective Health Services

Anticipated Completion Date:

Corrective Action Planned: As you acknowledged, OSDH experienced a substantial increase in the number of complaints filed against nursing facilities. Attending to the huge increased workload in the Complaints Unit caused a backlog in the annual surveys. Additionally, Long Term Care lost 10 long-

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time upper management personnel, and experienced surveyors, through the scandal. Recovering from that has been a long, slow process.

Our ability to hire staff to fill vacated positions, as well as new positions allocated to cover the increased workloads, were thwarted by the salaries of our surveyors being \$6000 less than any other state in our CMS region. Considerable work was done with OPM in conducting a Market Analysis of surveyor's salaries, in surrounding states. Finally, in September, 2001, OPM approved the pay raises. From that we are now able to directly hire RNs, rather than having to go to the Register for qualified staff. Supervisory staff is in the process of hiring, training and having our new surveyors become SMQT certified. Currently 56% of our long term care survey staff have less than two years experience with the Department. It will take six to eight more months to become fully staffed, with new personnel being trained and certified. And, many additional months after that before we can say that we have an "experienced" staff.

Additionally we are setting up satellite offices throughout the State to eliminate the need to travel into Oklahoma City so often, and, in turn, allowing surveyors to spend more time at home with their families. We continue to explore other ways to hire and retain personnel.

Only recently have we had adequate staff to form two additional survey teams. That brought the total to ten. There are currently 61 facilities that are past the 15-month survey limit set by CMS. With the additional teams, that allows two additional surveys to be performed each week. With this composition of staff it would take 12 months to be assured that all surveys could be conducted within the 12 – 15 month time frames. That is not acceptable to us, and the goals we are striving to achieve. We are studying ways to change the structure of the teams to more efficiently address the workload requirements, which will result in some organizational restructuring.

Oklahoma Health Care Authority

REF NO: 01-807-004

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health & Human Services

CFDA NO: 93.767, 93.778 (This could potentially affect all federal programs)

FEDERAL PROGRAM NAME: State Children's Insurance Program, Medical Assistance Program

FEDERAL AWARD NUMBER: 05-0105OK5R21, 05-0105OK5028

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Delivery and Support 5.10), information services function management should ensure that systems security safeguards information against unauthorized use, disclosure or modification and damage or loss by having logical access controls in place that ensure that access to systems, data and programs are restricted to authorized users.

Condition: Log files identifying unauthorized attempts to access system are not reviewed on a periodic basis.

Cause: Procedures are not in place to retrieve and review reports for security breaches such as unauthorized attempts to access systems.

Effect: Due to the lack of review of security reports, management responses to incident could be untimely and inaccurate which could lead to the loss of:

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- Financial Data;
- Client Information;
- Organizational Structure Documentation;
- Federal Reporting Data.

Recommendation: We recommend that steps be taken to obtain security reports and a review and resolution process be put in place.

Management's Corrective Action Plan

Contact Person: Judi Worsham

Anticipated Completion Date: 3/1/02

Corrective Action Planned: To accommodate this ability the network staff has implemented the Microsoft Windows™ Security log files to capture failure attempts at the login level. The log files will be examined weekly by the senior network administrators or myself for patterns of continual denial of access.

REF NO: 01-807-005

STATE AGENCY: Oklahoma Health Care Authority

FEDERAL AGENCY: U.S. Department of Health and Human Services

CFDA NO: 93.767, 93.778 (This could potentially affect all federal programs)

FEDERAL PROGRAM NAME: State Children's Insurance Program, Medical Assistance Program

FEDERAL AWARD NUMBER: 05-0105OK5R21, 05-00105OK5028

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association (Cobit, Delivery and Support 5), information services function management should ensure that systems security safeguards information against unauthorized use, disclosure or modification and damage or loss by having logical access controls in place that ensure that access to systems, data and programs are restricted to authorized users. Some items that should be taken into consideration are:

- Authorization
- Authentication
- Access
- User profiles and identification

Condition: Employee profiles could not be obtained from Unisys

Effect: Due to the inability to adequately review the employee profiles, user account management may be compromised. This could result in the loss of:

- Financial Data;
- Client Information;
- Organizational Structure Documentation;
- Federal Reporting Data.

Recommendation: We recommend that relevant policies and procedures be put in place to adequately address information systems security requirements including:

- User account management procedures
- User security profiles representing "least access as required" and profiles are regularly reviewed by management for re-accreditation
- Password policy
- Preventative and detective control measures with respect to computer viruses

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Management's Corrective Action Plan

Contact Person: Judy Worsham, Administrator of Data Processing Administration.

Anticipated Completion Date: In Place

Corrective Action Planned: As of July 2001 our policy for accessing the MMIS system changed as to our maintaining the profiles and access records.

Previously we sent an e-mail request to Unisys to grant access for the system and relied completely on them to maintain the records. When an individual was removed from the system, Unisys did not maintain a file or a record of the person.

Since the implementation of the new security system, all requests are processed based on the written policy and procedures. Requests can only be processed when an IS-6 is completed and signed off by the supervisor, decentralized security, and the OHCA System Security Officer.

OHCA now completes and maintains all profiles and requests forms for accessing the MMIS system. We have also required existing users to complete an IS-6 to retain their access. Those individuals that did not complete the required actions were removed from the system and access will not be granted until the form is complete.

REF NO: 01-807-006

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: 5-0105OK5028

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Allowable Costs/Cost Principles

Criteria: Section 1927 of the Social Security Act (42 U.S.C. 13961-8) states, "No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data. ..." Within 38 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

Condition: We reviewed the State Drug Rebate Quarterly Invoices mailed for the quarters ending during state fiscal year 2001. We noted the invoices submitted to the manufacturers for the quarters ended September 30, 2000, December 31, 2000, and March 31, 2001, were mailed 6, 6 and 5 days late, respectively.

Effect: Because the due date of payment submitted by the manufacturers is based upon the invoice receipt date, the late invoices may have resulted in loss interest income.

Recommendation: We recommend OHCA management emphasize the importance of submitting drug rebate invoices to the manufacturers within 60 days after the end of each quarter.

Management's Corrective Action Plan

Contact Person: Tom Simonson, Drug Rebate Manager

Anticipated Completion Date: April 15, 2002

Corrective Action Planned: The OHCA will establish set deadlines for each step of the quarterly invoicing process, and monitor compliance with each step by securing evidentiary documentation from each responsible party.

REF NO: 01-807-013

STATE AGENCY: Health Care Authority

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FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.778

FEDERAL PROGRAM NAME: Medical Assistance Program

FEDERAL AWARD NUMBER: 05-0105OK5028

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Activities Allowed or Unallowed, Special Tests and Provisions – Health and Safety Standards

QUESTIONED COSTS: \$1,558,434

Criteria: Oklahoma’s Medicaid State Plan states in part, “Required Provider Agreement-With respect to agreements between the Medicaid agency and each provider furnishing services under the plan: (a) For all providers, the requirements of...42 CFR Part 442, Subparts A and B (if applicable) are met...(c) For providers of ICF/MR services, the requirements of participation in 42 CFR Part 483, Subpart D are also met.”

42 CFR Part 442, Subpart B, states in part, “...a Medicaid agency may not execute a provider agreement with a facility for nursing facility services nor make Medicaid payments to a facility for those services unless the Secretary or the State survey agency has certified the facility...to provide those services.”

OMB Circular A-133 Compliance Supplement states in part, “To be allowable, Medicaid costs for medical services must be...paid to eligible providers...”

Condition: We obtained a list of long-term care facilities that, according to the Department of Health, had been decertified from the Medicaid program. We then performed tests to ensure no Medicaid payments were made after the facility had been decertified. Our tests indicated that one facility received payments even though they may have not been certified in the Medicaid program.

We reviewed the facility file maintained by the Department of Health and the file maintained by the Health Care Authority. Based on our review, it appears the facility was not eligible for certification in the Medicaid program beginning December 21, 2000. In addition, we were not able to locate any documentation showing the facility was recertified before the end of the fiscal year. As a result, we questioned costs relating to payments made for claims indicating a date of service for this time period.

Cause: Although an exact cause was not determinable, it appears there was a breakdown in communication between the Department of Health and the Health Care Authority.

Effect: Medicaid payments were made to an ineligible provider.

Recommendation: We recommend the Department of Health and the Health Care Authority review the procedures in place for the Department of Health’s notification to the Health Care Authority regarding provider certification. Consideration should be given as to whether these procedures are adequate. In addition, we recommend the Authority determine whether additional payments were made to the facility subsequent to June 30, 2001 and evaluate whether these payments were allowable.

Management’s Corrective Action Plan

Contact Person: Rolando Davila, J.D.
Manager, Contracts Services

Anticipated Completion Date:

Corrective Action Planned: According to a consent order, dated October 20, 2000, and signed by the facility and the Oklahoma State Department of Health (OSDH), the facility agreed to be monitored by OSDH for a period of 90 days. OSDH agreed to re-survey the facility for substantial compliance no later than 60 days from the date of the consent order.

Based upon this, OHCA considered the facility certified until December 20, 2000.

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During this time period of November, 2000 through April, 2001, no further correspondence was received from OSDH regarding the facility.

In April 2001, amid concerns at OHCA, the OHCA Legal Division made inquiries to OSDH regarding the certification process for long term care facilities. A meeting was held with OSDH staff outlining issues and ongoing communication problems regarding certification of nursing facilities. It was agreed at this meeting, that henceforth, among other relevant documents, OHCA would receive copies of survey findings affecting certified facilities.

In July 2001, OHCA initiated another meeting with OSDH upper management and OHCA Legal / Contracts staff. A specific inquiry was made to OSDH with regards to the facility's Medicaid certification. In response to this inquiry, the Assistant Deputy Commissioner assured OHCA representatives that the facility was currently certified. OSDH legal counsel opined that the facility had been under a consent order for a plan of correction and that OSDH was of the opinion that even though a facility is past the date of re-certification, as long as the facility has not been de-certified, the facility is considered remaining certified.

OHCA Legal / Contracts staff advised OSDH staff that a contract for the facility would not be renewed until OHCA received a current certification of the facility. OSDH staff committed to schedule a date for a survey of the facility. OHCA advised that the survey had to occur prior to the expiration of their current contract, which at the latest was 60 days past June 30, 2001.

According to 442.16, FFP is available for services provided for facilities up to 60 days after the agreement expires or terminates if written notice is received from OSDH that an extension will not jeopardize health and safety of patients and is needed because it is impractical to determine before the expiration date whether the facility meets certification requirements.

On August 17, 2001, a letter was received from OSDH requesting a 2-month extension of provider agreement based upon a no jeopardy situation to the health and safety of the residents and because it is impractical to determine whether the facility met certification requirements prior to the termination of the provider agreement.

On August 31, 2001, the facility filed with OHCA an appeal determination of the facility provider agreement. Pursuant to 442.40, payments were continued pending resolution of the appeal or 120 days after the effective date of termination if no immediate jeopardy was found by OSDH.

On October 12, 2001 a letter was received from OSDH indicating that a no jeopardy situation existed at the facility as of September 7, 2001, assuring continuation of payments as of September 7, 2001.

In January 2002, OHCA received notification received from OSDH that facility was re-certified effective December 18, 2001.

Auditor Response: Although OSDH verbally assured OHCA in July 2001 that the facility was currently certified, we were unable to locate documentation supporting this statement.

Department of Human Services

REF NO: 01-830-003

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.558

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FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families
FEDERAL AWARD NUMBER: G-9901OKTANF;G-0001OKTANF;G-0101OKTANF
FEDERAL AWARD YEAR: 1999;2000;2001
CONTROL CATEGORY: Eligibility
QUESTIONED COSTS: \$876

Criteria: DHS policy states at OAC 340:65-1-3 that "...The case record serves as...(2) evidence that eligibility or ineligibility of the client has been satisfactorily determined, amount of benefit level accurately computed, and social services have been offered..."

Condition: During eligibility testwork of thirty-eight case files we noted one Diversion Assistance case file within our sample did not contain an application.

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

Recommendation: We recommend that the Department review established procedures to ensure they are adequate to facilitate compliance with internal policies.

Management's Corrective Action Plan

Contact Person: Peggy Butcher, TANF Program Manager

Anticipated Completion Date:

Corrective Action Planned: The county office, where the incident occurred, will be conducting as part of their "back to basics" training, a section on the importance of filing case information and following established procedures.

REF NO: 01-830-004
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: G-9901OKTANF;G-0001OKTANF;G-0101OKTANF
FEDERAL AWARD YEAR: 1999;2000;2001
CONTROL CATEGORY: Eligibility
QUESTIONED COSTS: \$1,044

Criteria: DHS policy states at OAC 340:65-3-8 that "...Periodic re-determination is completed for: (A) a TANF recipient at 12-month intervals except when 6-month intervals are required due to: (i) protective payments; (ii) pending required immunizations; or (iii) payment standard reductions due to intentional program violations."

Condition: We noted the following during eligibility testwork of thirty-eight case files:

- Of the eighteen (18) non-Diversion Assistance case files tested, one (1) did not contain evidence of current eligibility re-determinations. There was also no evidence in the client's IMS system to document a current eligibility determination for the one (1) case file.

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

Recommendation: We recommend that the Department review established procedures to ensure they are adequate to facilitate compliance with internal policies. We also recommend that the Department follow the State Plan and re-determine eligibility for TANF recipients as required.

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Management's Corrective Action Plan

Contact Person: Peggy Butcher

Anticipated Completion Date:

Corrective Action Planned: The county office, which had not completed the eligibility re-determination, has been contacted and a "Back to Basic" session is being scheduled to review current policy and procedures regarding eligibility re-determinations.

REF NO: 01-830-008

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.575, 93.596

FEDERAL PROGRAM NAME: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund

FEDERAL AWARD NUMBER: 0001OKCCD2, 0001OKCCDF

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Activities Allowed and Unallowed

QUESTIONED COSTS: \$502,803

Criteria: Day Care Provider Contract, Part Four, states:

. . . It is further agreed and understood by the Provider that by signing and submitting its claim from pursuant to this contract, it is certifying that the services claimed actually were provided to the Department or its clients. . .

Day Care Provider Contract, Part Six, states:

It is agreed and understood that Provider must meet and maintain all state or federal standards applicable to the authorized services being provided pursuant to this contract and Provider hereby acknowledges full awareness of such standards. . .

Day Care Provider Contract, Part Seven, states:

Provider agrees to maintain written records, as prescribed by the Department, sufficient to document proper fiscal and program management of Provider's responsibilities under this contract, all records to be retained for three (3) years or the resolution of pending legal issues, whichever is longer.

OMB Circular A-87, Attachment A, Section C.1.j. states:

To be allowable under Federal awards, costs must meet the following general criteria:
. . . Be adequately documented.

Condition: The Department of Human Services' Office of Inspector General (OIG) audited seventy-two day care facilities in SFY 2001. The following was noted:

- 50 instances of no Service/Attendance Records;
- 37 instances of unsigned Service/Attendance Records;
- 6 instances of forged signatures on Service/Attendance Records;
- 20 instances of claiming for days when child did not attend;
- 20 instances of consistently claiming days which are not listed on signed Service/Attendance records;
- 26 instances of consistently claiming full-time care when part-time care was documented as having been provided; and

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- 13 instance of continued, documented overcapacity.

Also, once the audits have been performed by OIG, the findings are sent to Overpayments (OP) Unit-Finance. The OP Unit establishes the overpayment amount based on further analysis performed. The overpayment amount established by the OP Unit in conjunction with the OIG findings for the period 07/01/00 through 06/30/01 was \$502,803.

Effect: It appears the Department may have overpaid day care providers by \$502,803 during SFY 2001.

Recommendation: We recommend the Department's Office of the Inspector General continue monitoring the day care facilities and Overpayments Unit determine the establish debt of each facility. Furthermore, we recommend the Department take steps to ensure providers comply with the departmental policies for reimbursement.

Management's Corrective Action Plan

Contact Person: Judy Landrum, Programs Administrator

Anticipated Completion Date:

Corrective Action Planned: The Department is in the pilot stages of converting to an Electronic Benefits Transfer (EBT) System, which is designed to increase efficiency of claims processing and decrease potential for overpayment to day care vendors. The Office of Inspector General continues to monitor day care vendors using the paper claims system and has begun monitoring vendors in the pilot program using the EBT system.

REF NO: 01-830-016

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: 01010K1401

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Allowable Costs and Cost Principles

QUESTIONED COSTS: \$0

Criteria: According to the approved FY 2001 Cost Allocation Plan, cost pool 306 represents direct administrative Title IV-E Foster Care costs and cost pool 380 represents direct administrative costs for the KIDS system. The KIDS system is the Department's computer system for Child Welfare Services which includes Title IV-E Foster Care.

OMB Circular A-87 D.1. and E. 1. states: "The total costs of Federal awards is comprised of the allowable direct costs for the program, plus its allocable portion of allowable indirect costs, less applicable credits.... Direct costs are those that can be identified specifically with a final cost objective".

Condition: We noted during testwork, the Department is not distinguishing the direct administrative costs between Title IV-E Foster Care and the KIDS system. All direct administrative costs, including those for the KIDS system totaling \$2,591,121.46, are being charged to cost pool 306 Title IV-E Foster Care. We also noted that direct clothing costs for IV-E Foster Care totaling \$680,113,.19, which should be charged to cost pool 306, is being charged to cost pool 344, a cost pool for expenditures funded solely by state funds.

Effect: The Department may be charging direct administrative costs incorrectly according to the approved FY 2001 Cost Allocation Plan.

Recommendation: We recommend the Department follow the approved FY 2001 Cost Allocation Plan and identify direct costs specifically with a particular final cost objective. In addition we recommend cost

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pool 380 be allocated accordingly to ensure each program benefited receives its proportional share of the costs.

Management's Corrective Action Plan

Contact Person: Stuart Kettner and Robbie Flemming

Anticipated Completion Date: Completed 2/2002

Corrective Action Planned: Concur with the condition stated. After reviewing the process, it was discovered that the KIDS system costs were charged to the IV-E Pool instead of the KIDS Pool (which is still charged in total to IV-E). The pool number has been changed. There are two locations for clothing costs. Both locations are charged to non-federal. Separate reports are produced by Finance-Systems to split costs between IV-E and non-IV-E and the Program Accountant reports the IV-E amount on that report.

REF NO: 01-830-017

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.659

FEDERAL PROGRAM NAME: Adoption Assistance

FEDERAL AWARD NUMBER: 01010K1407

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Allowable Costs and Cost Principles

QUESTIONED COSTS: \$0

Criteria: According to the approved FY 2001 Cost Allocation Plan, cost pool 379 represents direct administrative Adoption Assistance costs.

OMB Circular A-87 D.1. and E. 1. states: "The total costs of Federal awards is comprised of the allowable direct costs for the program, plus its allocable portion of allowable indirect costs, less applicable credits.... Direct costs are those that can be identified specifically with a final cost objective".

Condition: We noted during testwork, the Department is charging all Adoption Assistance nonrecurring costs totaling \$531,817.61 to cost pool 641, which is an allocated cost pool. However, nonrecurring costs are considered direct administrative Adoption Assistance Program costs and therefore do not meet the definition of an allocated cost.

Effect: The Department may be charging direct costs incorrectly according to the approved FY 2001 Cost Allocation Plan.

Recommendation: We recommend the Department follow the approved FY 2001 Cost Allocation Plan and identify direct costs specifically with a particular final cost objective. In addition we recommend cost pool 379 be charged accordingly to ensure each program benefited receives its proportional share of the costs.

Management's Corrective Action Plan

Contact Person: Stuart Kettner and Robbie Flemming

Anticipated Completion Date: Completed 2/2002

Corrective Action Planned: Concur with condition stated. After reviewing the process, it appears that the nonrecurring costs should be directly charged to the IV-E Adoption Assistance Grant. The pool number has been amended for that location which will directly charge Adoption Assistance in the future.

REF NO: 01-830-018

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

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CFDA NO: 93.558

FEDERAL PROGRAM NAME: Temporary Assistance for Needy Families

FEDERAL AWARD NUMBER: G-0001OKTANF

FEDERAL AWARD YEAR: 2000

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$0

Criteria: According to 45 CFR Section 265, the Department is required to submit the TANF Data Report (ACF-199). The primary purpose of this report is to collect information mandated by Congress. The data is also used by personnel in the Administration for Children and Families, the Department of Health and Human Services, and other Federal personnel responsible for formulation of TANF program policy and the provision of technical assistance. In addition, the law provides for monetary penalties for failure to satisfy minimum participation rates.

OMB Circular A-133 states in part that internal controls should provide reasonable assurance that transactions are properly recorded and accounted for to permit the preparation of reliable federal reports and to demonstrate compliance with laws, regulations and other compliance requirements.

Condition: We noted the following during our testwork of the data reported for thirty-eight (38) cases on the TANF Data Report (ACF-199):

2 Cases – The work hours reported were not correct.

2 Cases – The client was reported to have a work participation code of “1” signifying that they were disregarded from the participation rate because they were a custodial parent with a child under twelve (12) months. It did not appear that either of these two clients had a child under the age of twelve (12) months.

1 Case – The report showed that the client received subsidized daycare but this could not be verified in the case file.

2 Cases – The data reported did not contain all of the required elements.

Effect: Errors in the TANF Data Report (ACF-199) may result in the Department being subject to penalties and/or sanctions for not complying with federal requirements and performance goals.

Recommendation: We recommend the Department adopt adequate policies and procedures to ensure the TANF Data Report (ACF-199) contain accurate and complete data.

Management’s Corrective Action Plan

Contact Person: James Conway, Program Administrator

Anticipated Completion Date:

Corrective Action Planned: Findings: 2 cases work hours were not correct in regards to reporting accurate hours of participation. 2 cases had work participation code for “1” signifying the case should be disregarded from the participation rate because they were a custodial parent of a child less than twelve (12) months. 1 case reflected the client received subsidized childcare, which was not verified by the case record. 2 cases did not contain all required data elements. Response: C039796 – No work hours reported for August. There should have been approximately 25 hours reported for Vocational Educational Training. Response: 09/00--TW-13 dated 9/29/00 for the month of September (09/00) for the Special Project activity was not entered by the county office, and therefore was not in existence on the computer system to be displayed in the report transmitted to the ACF. 08/00--72 hours of full-time work for 9 days, then SP authorization for 73 hours beginning 8/14/00...none of these hours were reported to ACF...cause unknown, obvious programming difficulty...C059829 – Reported that client received subsidized daycare. This could not be verified in the case file (further clarified on 4/5/2002 by Auditor’s Office that the offending month was 7/00). Response: Report in error, no childcare subsidy found for month of July 2000. No systemic error found, will add to report review process. C062230 and C188893 – Data not complete. (Further clarified on 4/5/2002 by Auditor’s Office that

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records only included case number, FIPS code, month, type of family, and the subsidized daycare field.) Response: No systemic error found that would be truncating records. The problem is not reoccurring on FY2001 report. This will be added to review process. C092396 and C420967 – Reported work participation code as “1”. This is not correct since no child included in the case was under 12 months. Response: This is a systemic problem that is reoccurring on the FY2001 report. A problem with that data field not re-initializing on subsequent records has been identified and is being corrected. C364961 – Reported work activity hours does not appear to be correct. (This was clarified by the Auditor’s Office on 4/5/2002 as follows: The reported number of hours under the different field codes (49-61) did not tie to what the physical case file showed the individual to be doing.) Response: 07/00--all person 01: 90 hours of part-time work on system. Not reported to ACF. 8 hours of GED on system. Report should read: 20 hours/week part-time work and 1 hour GED. Reported to ACF: job ready: 1 hour; GED: 1 hour (correct), school: 1 hour. 08/00 -- 95 month/hours in Job Readiness. Reported 21 hours/week to ACF, 20 month/hours GED on system. Not reported to ACF. Report should read: 22 hours job readiness, 4 hours GED. 09/00 -- 136 hours work part-time on system. Not reported to ACF. 12 month/hours of GED on system. Reported to ACF: 2 hours job readiness; 2 hours GED (correct); and 2 hours school reported to ACF. Report should read: 31 hours part-time work; 2 hours GED (correct).

All of the errors above may be contributed in full or part to the lack of any data review prior to transmission to ACF. This occurred when the FY2000 was considerably delinquent and a quick submission was deemed as the most important factor. Data was submitted straight from Data Services to ACF without a review by FSSD.

In the future FSSD will apply the same “check-off” procedures for federal reports that are used on all systems request. A review process will be established utilizing sampled data to identify the integrity of the data prior to transmission. FSSD is in the process of re-submitting the FY2001 numbers and this review procedure will be in effect.

REF NO: 01-830-019

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.575, 93.596

FEDERAL PROGRAM NAME: Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund

FEDERAL AWARD NUMBER: 0001OKCCD2, 0001OKCCDF

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Period of Availability

QUESTIONED COSTS: Undeterminable

Criteria: 45 CFR 98.60 (d)(1) states, “Discretionary Fund allotments shall be obligated in the fiscal year in which funds are awarded or in the succeeding fiscal year. Unliquidated obligations as of the end of the succeeding fiscal year shall be liquidated within one year. (2) Mandatory Funds for States requesting Matching Funds per Sec. 98.53 shall be obligated in the fiscal year in which the funds are granted and are available until expended. (3) Both the Federal and non-federal share of the Matching Fund shall be obligated in the fiscal year in which the funds are granted and liquidated no later than the end of the succeeding fiscal year.”

Condition: Based on review of the Grant Transaction Summary Reports, we determined that all draws for the Mandatory, Matching and Discretionary Funds were made during the period of availability; however, because we could not determine which program funds were used to pay for individual claims, we were unable to test the period of availability requirement on an individual transaction level.

Cause: The Department does not have mechanisms in place to facilitate tracking of federal funds on an individual transaction level.

Schedule of Findings

Federal Award Findings And Questioned Costs

Effect: Expenditures could get charged to the wrong program and federal funds could be expended after the period of availability.

Recommendation: We recommend the Department identify expenditures for the Child Care and Development Block Grant (Discretionary Funds) and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund Child Care Development Funds programs separately.

Management's Corrective Action Plan

Contact Person: Stuart Kettner, Curtis Rachels, John Guin

Anticipated Completion Date: October 2002

Corrective Action Planned: Regulations may be changed during the reauthorization process. DHS employs a seamless funding strategy for daycare assistance and does not specifically identify Federal-funding sources at the time the expenditure occurs. A recipient is eligible for daycare assistance in general and not a particular financing source. The Department believes that the current method is desirable and does not anticipate any changes. Therefore, DHS does not literally comply with the regulations to specifically identifying expenditures to Federal-funding initially.

REF NO: 01-830-020

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.659

FEDERAL PROGRAM NAME: Adoption Assistance

FEDERAL AWARD NUMBER: 0101OK1407

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$4,320

- Criteria:**
1. OAC 340:75-15-128 Part (C)(vi) states, " That the application packet must include...For General Adoption Subsidy Assistance or Special Services, a cover memo or other documentation verifying that adoptive parents do not have a felony conviction per (b)(1)(c) of this Section which makes them ineligible to be approved for adoption subsidy assistance for their special needs child(ren)."
 2. OMB Circular A-133 Compliance Supplement Part E(1)(a)(4) state, "Adoption Assistance subsidy payments may be paid on behalf of a child only if all of the following requirements are met... The agreement for the subsidy was signed and was in effect before the final decree of adoption and contains information concerning the nature of services, the amount and duration of the subsidy, the child's eligibility for Title XIX Medicaid; and covers the child should he/she move out of State with the adoptive family. (42 USC 675(3))."

Condition: Of the Adoption Assistance Subsidy cases tested, we noted the following:

1. Seven of eleven case files did not contain documentation that a background check of prior felony convictions had been performed. However, we were able to perform other procedures to verify a background check was in fact performed. As a result, although the required background checks were performed, not all of the necessary documentation needed for determining eligibility was present in the case file.
2. Two of twenty-two case files did not contain a copy of the Final Decree of Adoption. Therefore, there is no legal documentation in the case file stating that the family has adopted the child and is eligible to receive adoption subsidy payments on behalf of that child. Program personnel were able to locate the Final Decree of Adoption for one of the two files in records maintained at the Central Office. However, the remaining Final Decree of Adoption was not located. As a result, we question \$4,320 related to this case.

Schedule of Findings Federal Award Findings And Questioned Costs

Effect: Incorrect eligibility decisions may be made without complete documentation in the case files and adoption subsidy payments may be made to ineligible parties.

Recommendation: We recommend the Department ensure complete documentation regarding eligibility is maintained in the case files. In addition, we recommend the Department perform follow-up procedures regarding the one case involving questioned costs to determine whether the adoptive parents were eligible to receive adoption subsidy payments. Should the adoptive parents be found ineligible, we recommend the Department attempt to recoup funds as necessary.

Management's Corrective Action Plan

Contact Person: Linda Smith and Janice Freeman

Anticipated Completion Date:

Corrective Action Planned:

This serves as a response to the State Auditors FY 01 Audit report of Adoption Assistance received 3-1-02. All findings were reviewed and are addressed as followed:

Condition 1

Response: Verification in each of these cases was available from either the SWIFT adoption worker or in closed adoption files in the central office.

Action Plan: A procedure was put in place in January 2001, whereby adoption workers document this in the adoption assistance application packet. We have been closely monitoring this on 100% of all new applications.

Condition 2

Response: The case in which the Final Decree of Adoption cannot be located, the case was closed effective 10-9-01 following a juvenile court action whereby custody of the child was awarded to a relative. The adoption subsidy application was based on a post-finalization request for assistance.

Action Plan: A concerted effort will be made within the next 30 days to secure a copy of the Final Decree from the court for our file.

REF NO: 01-830-21

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

FEDERAL AWARD NUMBER: 93.568G00B10KLIEA, 93.568G01B10KLIEA

FEDERAL AWARD YEAR: 2000, 2001

CONTROL CATEGORY: Activities Allowed or Unallowed and Eligibility

QUESTIONED COSTS: \$19,992

Criteria: Department of Human Services Policy 340:20-1-10, Program factors states, "The household benefit amount is based upon the household's size, income, and type of fuel. The benefit amount will not be changed during the program year due to changes in household composition, income, or fuel type."

Condition: During our testwork, we analyzed the Department's records to determine whether any payments were made in excess of the maximum benefit per income and household size, as documented in the LIHEAP Benefit Level Matrix. Based on the results of this test, we identified 174 cases where the payment appeared to be in excess of the maximum benefit documented in the LIHEAP Benefit Level Matrix. The total paid in excess of the maximum benefit was \$19,992.

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Effect: The Department may have paid recipients, or fuel service providers on their behalf, amounts in excess of the maximum benefit.

Cause: It appears an error may have occurred when programming the application system to set the limit on the maximum benefit. As a result, the application system allowed the excess benefits to be processed.

Recommendation: We recommend the Department ensure the correct benefit limits are programmed into the application system to ensure benefits are not paid in excess of the maximum allowed.

Management's Corrective Action Plan

Contact Person: Mel Phillips

Anticipated Completion Date: June 1, 2002

Corrective Action Planned: Once the cause(s) of the differences are identified, a protocol will be established for checking the programming of the benefit matrix at the Data Services Division and double-check at least one case at every payment in the matrix to verify that it is correct.

REF NO: 01-830-023

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: G-9901OKTANF;G-0001OKTANF;G-0101OKTANF

FEDERAL AWARD YEAR: 1999;2000;2001

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

QUESTIONED COSTS: \$396

Criteria: According to the OMB A-133 Compliance Supplement, “If the State agency responsible for administering the State plan approved under Title IV-D of the Social Security Act determines that an individual is not cooperating with the State in establishing paternity, or in establishing, modifying or enforcing a support order with respect to a child of the individual, and reports that information to the State agency responsible for TANF, the State TANF agency must (1) deduct an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance. HHS may penalize a State for up to five percent of the State Family Assistance Grant (SFAG) for failure to substantially comply with this required State child support program (42 USC 608(a)(2) and 609(a)(8); 45 CFR sections 264.30 and 264.31).”

Condition: We noted the following during special tests testwork of thirty-eight case files:

- Two of the cases appeared to have individuals who were not cooperating with the State in child support enforcement efforts and for which the TANF benefits did not appear to have been reduced or denied as required by federal regulations.

Cause: This appears to be due to the lack of a system or process which would provide for follow up on non-cooperative cases that had been referred by the Child Support Enforcement Division to the State IV-E office to ensure that cases referred are properly sanctioned.

Effect: The Department may not be in compliance with the above stated federal regulations regarding the reduction or denial of TANF benefits for individuals who are non-cooperative with child support enforcement activities. This may result in the State being penalized for up to five percent of the SFAG for failure to substantially comply with the requirement.

Recommendation: We recommend that the Department develop and implement a system or process to follow up on cases referred by the Child Support Enforcement Division as non-cooperative to the State IV-E office to ensure that the benefits for non-cooperative TANF clients are properly reduced or denied

Schedule of Findings Federal Award Findings And Questioned Costs

according to federal regulations. This could be accomplished by requiring those who refer the cases to the State IV-E office to follow up and confirm that the benefits were reduced or denied. The results of the follow up could then be denoted in the case information on the Child Support Enforcement Division system (OSIS).

Management's Corrective Action Plan

Contact Person: Mary Affentranger

Anticipated Completion Date: March, 2003

Corrective Action Planned: Family Support Services Division and CSED will continue to work together to improve the interface between the two divisions. Family Support Services Division is currently working on creating a new CWA report for the information IMS receives from CSED regarding non-cooperation of a TANF client. CSED has been contacted regarding the integrity of the information on their system, the need to add effective dates to the CCPI screen, and updating this screen timely when cooperation begins.

REF NO: 01-830-026

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.658

FEDERAL PROGRAM NAME: Foster Care

FEDERAL AWARD NUMBER: 01010K1401

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$3,600

Criteria: OAC 340:65-1-3 states, "...The case record serves as...(2) evidence that eligibility or ineligibility of the client has been satisfactorily determined, amount of benefit level accurately computed and social services have been offered...".

Condition: Of the twenty-two foster care provider files tested, we were unable to locate one of the case files. We were therefore unable to verify the determination of these providers as approved foster parents. As a result, we question \$3,600 related to this case.

Effect: Providers may have been incorrectly approved.

Recommendation: We recommend the Department ensure all case files are properly accounted for. In addition, we recommend the Department perform follow-up procedures regarding this case to ensure this provider was correctly determined to be an approved foster parent.

Management's Corrective Action Plan

Contact Person: Linda Smith, Division Director

Anticipated Completion Date:

Corrective Action Planned: This file was not located at the time of the review audit. The County Office was asked about the case file on April 2, 2002. It was stated that the foster home file could not be found. This home is also an adoptive home. It is possible the foster home is still open pending the finalization of an adoption, and the foster home case may be with the adoption file, which was not requested. The adoption files would not necessarily be accessible by foster home staff depending on the status of the adoption.

REF NO: 01-830-27

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

Schedule of Findings Federal Award Findings And Questioned Costs

FEDERAL AWARD NUMBER: 93.568G00B10KLIEA, 93.568G01B10KLIEA
FEDERAL AWARD YEAR: 2000, 2001
CONTROL CATEGORY: Activities Allowed and Eligibility
QUESTIONED COSTS: \$558

Criteria: Department of Human Services Policy 340: 20-1-12 Instructions to Staff (2) states “The original LIHEAP 1-A is filed in the county case record...(3) A copy of the bill should be filed in the case record...”.

In addition, The Common Rule, Subpart C, Section 42 (b) *Length of Retention Period*, states: (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

Condition: We noted the following during our testwork:

- Two of the twenty-four cases sampled could not be found for testwork. As a result, we question \$905 in costs related to these cases.
- Two of the twenty-two cases tested were missing a copy of their energy bill.

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

Recommendation: We recommend the Department review established internal procedures to ensure they are adequate to facilitate compliance with internal policies. We also recommend the Department retain all records in accordance with the requirements of the Common Rule.

Management’s Corrective Action Plan

Contact Person: Mel Phillips

Anticipated Completion Date: November 1, 2002

Corrective Action Planned: Instruct county workers to exercise care in filing LIHEAP cases and to include verification from the energy supplier or a copy of the utility bill in the case record.

REF NO: 01-830-28

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: 93.568G00B10KLIEA

FEDERAL AWARD YEAR: 2000

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: The Common Rule, Subpart C, Section 42 (b) *Length of Retention Period*, states:
(1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

Condition: We asked management to provide detail for the Annual Report of Households assisted by LIHEAP. However, the Department was unable to provide this detail for the entire year.

Effect: We were unable to verify the completeness of the report or to determine if it was accumulated and summarized correctly.

Recommendation: We recommend the Department retain all records in accordance with the requirements of the Common Rule.

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Management's Corrective Action Plan

Contact Person: Mel Phillips

Anticipated Completion Date: June 1, 2002

Corrective Action Planned: Three-year retention exists with one exception. The Cooling Program history for 2001 was accidentally over-written and destroyed. The Data Services Division will be asked to submit a plan that will avoid the destruction of program history files.

REF NO: 01-830-30

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: 93.568G00B10KLIEA, 93.568G01B10KLIEA

FEDERAL AWARD YEAR: 2000, 2001

CONTROL CATEGORY: Activities Allowed and Unallowed

Criteria: A component objective of an adequate internal control system is to provide accurate and reliable information.

Condition: During our testwork, we requested management provide us with information on all fiscal year 2001 recipients. During our review of this information we noted the following:

- 555 of the 15,158 cooling recipients were shown as receiving firewood
- 11 of the 15,158 cooling recipients were shown as receiving gas
- 2 of the 15,158 cooling recipients were shown as receiving oil

We inquired of management why a cooling recipient would receive firewood, gas, or oil. Management stated that these fuel types were not actually received by these recipients. Instead, these fuel types were entered in the "fuel type" field in the application system to allow the recipient's application to be processed. The "fuel type" field cannot be blank or the application system will not allow the application to be processed. Management further stated that these recipients received benefits directly because their energy provider was not a participant in the LIHEAP program.

Effect: The information contained in the Department's application system is inaccurate.

Recommendation: We recommend the Department develop a code that properly describes the fuel type to ensure accurate information is maintained.

Management's Corrective Action Plan

Contact Person: Mel Phillips

Anticipated Completion Date: June 10, 2002

Corrective Action Planned: Submit a data processing request for a separate code for purchase or repair of cooling equipment and edits prohibiting using gas or oil codes for cooling.

Department of Rehabilitation Services

REF NO: 01-805-001

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Vocational Rehabilitation Services Basic Grants to States

FEDERAL AWARD NUMBER: 84.126A000053, 84.126A010053

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FEDERAL AWARD YEAR: FFY 2000, FFY 2001

CONTROL CATEGORY: Cash Management

QUESTIONED COSTS: -\$0-

Criteria: According to the Cash Management Improvement Act (CMIA) funds are to be drawn according to the following funding techniques:

- Medical/Pharmacy component, Actual Clearance (ACH Payments) and Average Clearance (Warrants);
- Maintenance/Transportation component, Average Clearance
- Administrative, nonpayroll and nonmedical client service component, Payment Schedule variation 3 which states, “the State shall request funds such that they are deposited in a State Account on the fifteenth (or closest working day prior to the 15th) to fund the costs incurred during that period. The amount of the request shall be an estimate based on actual payments of the prior month and adjusted to actual on a quarterly basis.”
- Payroll component, Actual Clearance (66.3%) and Average Clearance (33.7%).

Condition: We reviewed an Office of State Finance report of all deposits coded as CFDA 84.126 and made to fund 351 for the time period of July 1, 2000 through June 30, 2001. The report consisted of 21 deposits totaling \$32,886,878. We noted of the 21 deposits made to this fund, 19 were whole numbers (e.g., \$2,000,000). These 19 deposits totaled \$30,550,000. In addition, the transaction dates were varied. Additionally, the Department could not provided any basis for the amounts drawn and deposited. Based on this information, it is appears the Department is not drawing funds in accordance with the terms of the CMIA agreement.

Effect: By not following the CMIA agreement, the Department could have drawn funds earlier than they were entitled which could cause an interest event, or used State funds when Federal funds were available.

Recommendation: We recommend the Department develop and implement internal control procedures to ensure all applicable personnel are aware of the CMIA agreement requirements and that actions taken by the Department in relation to the agreement are in accordance with the CMIA agreement. Also, if necessary, we further recommend the Department revise the CMIA agreement to better fit the needs of DRS.

Management’s Corrective Action Plan

Contact Person: Kevin Statham, Comptroller

Anticipated Completion Date: June 30, 2002

Corrective Action Planned: Management concurs with the finding in regards to noncompliance with the CMIA agreement. The draws are still based on the prior months activity and adjusted to actual as soon as a federal reconciliation is complete. The agency does understate the draw to a whole number to prevent overdrawing thereby preventing an interest event. Management is reviewing whether or not to revise the CMIA agreement. Any revision to the agreement would take effect on the anniversary date of the CMIA agreement.

REF NO: 01-805-002

STATE AGENCY: Department of Rehabilitation Services

FEDERAL AGENCY: Department of Education

CFDA NO: 84.126

FEDERAL PROGRAM NAME: Rehabilitation Services-Vocational Rehabilitation Grants to States

FEDERAL AWARD NUMBER: 84.126a000053, 84.126a010053

FEDERAL AWARD YEAR: FFY 2000, FFY 2001

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: Unknown

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Criteria: OMB Circular A-87, Attachment A, Part D.1., states, “The total cost of Federal awards is comprised of the allowable direct costs of the program, plus its allocable portion of allowable indirect costs, less applicable credits.”

Condition: During the audit of this program for the period July 1, 1999 through June 30, 2000, it was noted that costs that did not provide a direct benefit were charged to the program (See finding number 00-805-006, Oklahoma 2000 Single Audit Report). Management concurred and responded, “...the agency has already developed and submitted the cost allocation plan to the Department of Education for review and approval.” The Department’s indirect cost proposal for fiscal year 2001 was approved by the Department of Education and an indirect cost rate of 6.2% was established. However, based upon review of the Department’s records and conversation with Department management, it was noted that costs have not been allocated according to the indirect cost proposal and the approved indirect cost rate has not been applied to fiscal year 2001 costs.

Effect: The Department is not charging indirect costs in accordance with its approved indirect cost rate. As a result, the program is bearing unallowable costs that do not provide a direct benefit.

Recommendation: We recommend the Department determine the fiscal year 2001 allowable, direct costs of the program, plus any indirect cost that may have been chargeable according to its indirect cost proposal and approved indirect cost rate. We then recommend the Department compare these costs to those actually charged to the program and adjust for any amount overcharged.

Management’s Corrective Action Plan

Contact Person: Kevin Statham, Comptroller

Anticipated Completion Date: April 30, 2002

Corrective Action Planned: The federal program has been charged appropriately; however, costs have not yet been reported. The Federal Reports for the Basic Support program were adjusted for the period ending September 30, 2001. The indirect administrative cost will be allocated (distributed) for FY 2001 on the February 2002 Agency Financial Reports by April 15, 2002. Delays in expenditure limits increases with the OSF Form # 48 and subsequent discussions with the U.S. Dept. of Education about when and how to adjust for FY 2001 actual expenditures are the reason we have not allocated FY 2001 indirect costs to programs. The amended Indirect Cost Rate proposal for FY 2003(which contains adjustments for the FY 2000 questioned costs and adjustments for FY 2001 actual expenditures) is pending for final approval from the US Dept of Education.

Department of Transportation

REF NO: 01-345-020

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Davis Bacon Act

Criteria: The Davis Bacon Act states, in part:

...all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than

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those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 276a to 276a-7).

OMB Circular A-133 Subpart C – Auditees §___300 Auditee Responsibilities.

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

The Department has developed procedures in Control Directive 971114 and 971226 to ensure compliance.

Condition: The policies in control directives 971226 and 971114 only provide for random interviewing of workers on job sites with a minimum of 10% during the course of the project, posting certain information at job sites, and requiring submission of payrolls within two weeks of the end of the payroll period. The policies **do not** require that Department personnel monitor the payrolls submitted for compliance with prevailing wage requirements.

We noted that documentation of interviews with contractor and subcontractor employees was incomplete. Also, some required information was not posted on job site bulletin boards.

Effect: Currently, the Department is not following the policies they have to ensure compliance with Davis Bacon requirements. Also, the policies are not adequate to ensure accurate monitoring of the federal requirements.

Recommendation: We recommend the Department strengthen policies and procedures designed to monitor Davis Bacon requirements. We also recommend management ensure that policies and procedures currently in place are operating effectively.

Management's Corrective Action Plan

Contact Person: George T. Raymond

Anticipated Completion Date: N/A

Corrective Action Planned: Non-concur. The monitoring procedures which were instituted by Construction Control Directive #971114 satisfy the local FHWA office's concerns regarding Davis-Bacon Act monitoring requirements. A copy of the Construction Control Directive is attached.

Auditor Response: The Department is not consistently following the requirements of Control Directives 971114 and 971226. In addition, these directives do not require monitoring of contractor payrolls to provide for reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

REF NO: 01-345-021

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management, Davis Bacon, Matching, Period of Availability, Procurement Suspension and Debarment, Real Property Acquisition and Relocation, Reporting, and Special Tests and Provisions

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Criteria: OMB Circular A-133 Subpart C – Auditees § ___.300 Auditee Responsibilities.

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

Condition: The Department has not assigned responsibility for monitoring overall program compliance to any one area or person. Evidence of noncompliance suggests that the current oversight method is not functioning adequately.

Cause: Responsibility for program oversight is divided by activity within various divisions. Therefore, each division is knowledgeable only of its responsibility for compliance with the program.

Effect: The Department cannot ensure that federal awards are managed in compliance with laws, regulations, and provisions of contracts or grant agreements.

Recommendation: We recommend the Department assign responsibility for monitoring overall program compliance to an appropriate area or person.

Management's Corrective Action Plan

Contact Person: J. Michael Patterson, Assistant Director of Finance

Anticipated Completion Date: N/A

Corrective Action Planned: No corrective action will occur. The federal program cited in the audit point is very complex and cumbersome. Because of these facts, ODOT has purposely divided

oversight within various divisions within the agency to ensure compliance of specific regulations and provisions of the program.

ODOT inquired with three (3) other state DOT's, specifically Florida, Tennessee, and Texas, regarding the issue. Each responded that oversight of this program in their state is conducted in the same manner as it is in Oklahoma.

REF NO: 01-345-023

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Davis Bacon Act

QUESTIONED COSTS: \$-0-

Criteria: Required Contract Provisions, Federal-Aid Construction Contracts (Form FHWA 1273), V,2.c. states, in part:

Each contractor and subcontractor shall furnish, each week in which any contract work is performed, to the SHA resident engineer a payroll of wages paid each of its employees...

Oklahoma Department of Transportation Control Directive 971114, "Monitoring the Davis-Bacon Act" states, in part:

...Payrolls should be received within two weeks of the end of the payroll period. Submittal of payrolls is a contractual requirement. You must ensure that they are submitted...

Schedule of Findings Federal Award Findings And Questioned Costs

Required Contract Provisions, Federal-Aid Construction Contracts (Form FHWA 1273), IV, 1.a. states, in part:

The payment shall be computed at wage rates not less than those contained in the wage determination of the Secretary of Labor... regardless of any contractual relationship which may be alleged to exist between the contractor or its subcontractors and such laborers and mechanics...

Federal Grants Management Handbook, ¶555, General Provisions states, in part:

...These regulations stipulate that grant funds appropriated under statutes imposing Davis-Bacon Act requirements shall not be paid to grantees until contractors performing work under the grant certify that they will comply with the act's requirements. Sanctions for post-certification violations include suspension of the payment, advance, or guarantee of grant funds, forced restitution of wages that should have been paid and blacklisting of offending contractors.

Condition: During testwork, we noted the following:

- For project BRF-168C(017)CO, job piece number 0165904, we noted that five (5) of the six (6) subcontractors did not submit payrolls to the residency.
- For project STPY-114A(040)TR, job piece number 1811904, we noted that one (1) of two (2) subcontractors did not submit payrolls to the residency.
- For project MGSY-109C(009), job piece number 1186908, we noted that three (3) of the six (6) subcontractors did not submit payrolls to the residency.
- For project STPY-NBIP(064), job piece number 1624004, we noted that the prime contractor did not submit payrolls to the residency.
- Two (2) out of 79 employees tested were paid less than the prevailing wage rate.

Effect: Without submission of contractor and subcontractor payrolls, the Department cannot monitor that employees are paid the prevailing wage rates. The Department may experience suspension of funds, forced restitution of wages that should have been paid and blacklisting of offending contractors.

Recommendation: We recommend the Department actively monitor contractors and subcontractors to ensure that all payrolls are submitted to the residency for review of the wage rates paid to employees. We also recommend the Department review payrolls adequately to ensure no contractor or subcontractor employees are paid less than the prevailing wage.

Management's Corrective Action Plan

Contact Person: George T. Raymond

Anticipated Completion Date: N/A

Corrective Action Planned: Concur. The Department will be evaluating a software (CHAMPS) that will interface with the upcoming SiteManager program to enhance the monitoring of Davis-Bacon requirements on construction projects. Additionally, the Resident Engineers which are responsible for managing the monitoring procedures for the Department will be addressed at the annual Resident Engineers' Academy to encourage them to return to their offices and to review their operating procedures to ensure that the monitoring requirements are being met.

REF NO: 01-345-025

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

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FEDERAL AWARD NUMBER: N/A
FEDERAL AWARD YEAR: N/A
CONTROL CATEGORY: Other
QUESTIONED COSTS: \$0-

Criteria: According to the Federal Highway Administration (FHWA), one year is a reasonable amount of time in which to prepare the final voucher for completed construction projects. The final voucher process includes completing paperwork to close the project with the Federal Highway Administration.

Condition: The Department is not closing projects within one year of construction completion. We noted that 1,046 federally participating projects had no claim activity since July 1, 2000. The final voucher for these projects has not been prepared as of June 30, 2001.

Effect: Any funds left in the project agreement balance are not available for use on other projects until the final voucher is completed.

Recommendation: We recommend the Department promptly finalize those projects with no claim activity for one year. We also recommend the Department finalize all construction projects in a timely manner.

Management's Corrective Action Plan

Contact Person: Chelley Van Winkle
Anticipated Completion Date: 7/1/2002

Corrective Action Planned: The department has engaged the consultant KPMG, who is in the process of reviewing the departments list of inactive projects. From this review it is anticipated that the procedures and process will be changed to enhance the closing of projects in a more timely manner.

The mere fact that a project does not have any activity in the last 12 months does not necessarily indicate the project is completed and ready for closure.

REF NO: 01-345-031
STATE AGENCY: Department of Transportation
FEDERAL AGENCY: Department of Transportation
CFDA NO: 20.205
FEDERAL PROGRAM NAME: Highway Planning and Construction
FEDERAL AWARD NUMBER: N/A
FEDERAL AWARD YEAR: N/A
CONTROL CATEGORY: Reporting

Criteria: The Information Systems Audit and Control Association management guidelines, Control Objective for Information technology (CobiT) Delivery and Support Objective #11, states that management should ensure that data remains complete, accurate and valid during its input, update and storage.

It is the Department's practice to transfer expenditures daily from the Financial Management System (FMS) to the Project Funding System (PFS) for accumulation of project costs and federal billings.

Condition: Expenditures totaling \$8,776,430.85 were not transferred from FMS to PFS.

Cause: Management indicated that an edit in the computer process was not enabled. After the daily transfer, Department Information Services personnel enabled the edit.

Effect: Project costs are understated. Federal reimbursement has not been requested for federal expenditures included in this amount.

Schedule of Findings Federal Award Findings And Questioned Costs

Recommendation: We recommend the Department request reimbursement for the federal portion of the \$8,776,430.85. Also, we recommend the Department implement policies and procedures designed to verify that the weekly transfer is complete and accurate.

Management's Corrective Action Plan

Contact Person: Chelley Van Winkle

Anticipated Completion Date: April 1, 2002

Corrective Action Planned: We have modified our policies and procedures designed to verify that the weekly transfer is complete and accurate. We will seek federal reimbursement for the 8M by April 1, 2002.

REF NO: 01-345-032

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Davis Bacon Act

QUESTIONED COSTS: \$-0-

Criteria: United States Code, Title 40, U.S.C, section 113 (a) states, in part:

The Secretary shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors or subcontractors on the construction work performed on highway projects on the Federal-aid highways authorized under the highway laws providing for the expenditure of Federal funds upon the Federal-aid systems, shall be paid wages at rates not less than those prevailing on the same type of work on similar construction in the immediate locality as determined by the Secretary of Labor in accordance with Act of March 3, 1931, known as the Davis-Bacon Act (40 U.S.C 276a).

Code of Federal Regulations 29 CFR 1.6 – Use and effectiveness of wage determinations states, in part:

Contracting agencies are responsible for insuring that only the appropriate wage determination(s) are incorporated in bid solicitations and contract specifications and for designating specifically the work to which such wage determinations will apply.

The U.S. Department of Labor Employment Standards Administration Wage and Hour Division – General Wage Determinations Issued Under The Davis-Bacon and Related Acts – Davis-Bacon Wage Determination Reference Material – Section A, Introduction states, in part:

Supersedes Wage Determinations are issued annually to replace general decisions issued in the previous edition of the publication entitled General Wage Determination Issued Under the Davis-Bacon and Related Acts.

Condition: 39 out of 42 contracts did not include the General Decision for Wage Determination that was applicable at the time the contract was let.

Effect: Contracts do not include the most current wage determinations. Contractor employees may be paid less than the prevailing wage rates.

Schedule of Findings Federal Award Findings And Questioned Costs

Recommendation: We recommend the Department ensure the most current General Decision for Wage Determination issued by the Department of Labor is incorporated in the construction contracts.

Management's Corrective Action Plan

Contact Person: Jack Stewart, Office Engineer

Anticipated Completion Date: N/A

Corrective Action Planned: ODOT proposals and contracts do contain the most recent version of the prevailing wage rates that we are aware of. They are updated as we receive them. However, we may be guilty of not proactively seeking constantly revised rates.

A methodology needs to be established to be able to receive Wage Rate revisions as soon as they are available.

REF NO: 01-345-036

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Other

Criteria: The Information Systems Audit and Control Association management guidelines, Control Objectives for Information Technology (CobiT) Delivery and Support objective #11, states that management should ensure that data remains complete, accurate and valid during its input, update and storage.

Condition: Our review of the weekly process to transfer data from the Financial Management System to the Project Funding System found the procedures to be inadequate in ensuring the transfer was complete.

Effect: Increase risk of inaccurate federal funds billing and reporting. Weak internal control structure. Data loss can occur during the process that may not be discovered and corrected.

Recommendation: We recommend Department of Transportation adopt a procedure for monitoring information systems, to include controls to ensure:

- Accuracy
- Completeness and authorization checks
- Date input error handling
- Data processing integrity
- Data processing
- Data processing data error handling.

Department of Transportation should consider implementing error procedures that include:

- Correction and resubmission of errors require approval
- Assign individual responsibility for suspense files, generate reports for non-resolved errors
- A suspense file prioritization scheme be available based on age and type of error.

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date: 6/1/02

Corrective Action Planned: An evaluation is currently underway by a consultant which may provide recommendations for stronger internal controls. The Comptroller initiated additional reconciliations to provide data integrity.

Schedule of Findings Federal Award Findings And Questioned Costs

REF NO: 01-345-037

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205 (This could potentially affect all federal programs)

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Other

Criteria: According to the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT) Planning and Organization objective #4, management should facilitate effective direction and adequate controls including:

- Segregation of duties
- Organizational positioning of security, quality and internal control functions.

Condition: Department of Transportation lacks segregation of duties within the change control process for the Project Funding System. Programmers have access to production libraries and data. There is no reporting and review of unauthorized attempts to access data.

Effect: Increase risk of unauthorized, undetected data manipulation or loss. An internal control structure incapable of monitoring and reporting the effectiveness of the established controls.

Recommendation: We recommend management establish a proper segregation of duties within the information services division. Consideration should be given to the following:

- Management's direction and supervision of IT
- IT's alignment with the business
- IT's involvement in key decision process
- Clear roles and responsibilities
- Balance between supervision and empowerment
- Job descriptions
- Staffing levels and key personnel
- Organizational positioning of security, quality and internal control functions

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date: n/a

Corrective Action Planned: Manpower constraints do not allow the Information Services Division (ISD) to specifically segregated duties within each of the supported systems. ISD responds to requests for changes in these systems through chain of command. Weekly reconciliations provide the opportunity to examine the systems at this level.

REF NO: 01-345-038

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205 (This could potentially affect all federal programs)

FEDERAL PROGRAM NAME: Highway Planning and Construction

FEDERAL AWARD NUMBER: N/A

FEDERAL AWARD YEAR: N/A

CONTROL CATEGORY: Other

Criteria: The Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT) Delivery and Support objective #5, states that management should safeguard

Schedule of Findings Federal Award Findings And Questioned Costs

information against unauthorized use, disclosure, modification, damage or loss. This may be accomplished through logical access controls, which ensure that access to systems, data and programs is restricted to authorized users. CobiT Monitoring objective #2, management has the responsibility of ensuring the achievement of the internal control objectives set for the IT process. Management should be committed to monitoring internal control, assessing the effectiveness, and reporting on a regular basis.

Condition: In our audit of Department of Transportation we noted the following:

1. Users of a Department System have access to the programs and data.
2. Information Services Division does not have written policies and procedures for setting up new users.
3. The Information Services Division could not produce a list of users of the system without a great deal of time and effort.
4. Department of Transportation's Information Services Division exhibits a lack of system security.

Cause: Risk associated with allowing user access to system utilities has not been assessed, nor have proper controls been implemented to ensure user access is authorized to the proper level based on a need-to-have and need-to-know basis. Information systems employee stated that they are relying on ignorance for system security. The system does not incorporate any internal control or security functions.

Effect: Possibility of unauthorized changes, damage, or loss of project funding system. Weak internal control structure. No standards of consistency.

Recommendation: We recommend management take the necessary action to ensure that an internal control system or framework is in place which supports the business processes, makes it clear how each individual controls activity, satisfies the information requirements, and impacts the IT resources. This would include logical access controls, which ensure confidentiality and authorization and takes into consideration the following:

- confidentiality and privacy requirements
- authorization, authentication and access control
- user identification and authorization profiles
- need-to-have need-to-know
- cryptographic key management
- incident handling, reporting and follow-up
- virus prevention and detection
- firewalls
- centralized security administration
- user training
- tools for monitoring compliance, intrusion testing and reporting.

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date: n/a

Corrective Action Planned: Only users that are provided access to the PFS Programming have access to data and programs. Documented policies will be developed addressing new users of our systems.

A list of users and their access levels is attached.

Security is maintained through access levels. ISD programmers who regularly work with the systems are maintained at this level to more efficiently complete requested work.

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SUMMARY SCHEDULE OF PRIOR FINDINGS

SUMMARY SCHEDULE OF PRIOR FINDINGS

Summary Schedule of Prior Findings

Note: Schedule is presented alphabetically by state agency.

Department of Central Services

Finding No: 97-580-020

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Reporting

Finding Summary: We noted the Schedule of Expenditures of Federal Awards, the 3040 report, and the supporting documentation may not be accurate or reliable. Items on these reports were not supported, did not reconcile, or the reports were not mathematically correct.

Status: No longer valid. This finding for FY 1997 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Finding No: 97-580-033

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Special Tests and Provisions

Finding Summary: The Department's inventory records and inventory accounting system do not appear to be reliable. Inventory test counts for the August 5, 1997 Master Inventory Listing and January 29, 1998 Master Inventory Listing resulted in error rates of 26.33% and 17.88%, respectively.

Status: No longer valid. This finding for FY 1997 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in June 2001 and this became the new baseline inventory. In addition, monthly balancing reports and supporting documentation are generated and reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief. Any adjustments to the inventory system are documented.

Finding No: 97-580-034

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Special Tests and Provisions

Finding Summary: Department personnel performed an inventory count in May 1997; however, there is no written documentation. In addition, based on the test error rate of the August 5, 1997, Master Inventory Listing it appears the inventory records were not adjusted.

Status: No longer valid. This finding for FY 1997 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. A 100% physical inventory was performed in June 2001. All count sheets, data entry, verification, adjustments as well as re-verification are documented. The final Inventory Listing to be used as the new baseline inventory is also documented.

Summary Schedule of Prior Findings

Finding No: 97-580-037

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Special Tests and Provisions

Finding Summary: Sold/donated items whose serial numbers do not match any of those in the inventory computer system are stored in a “hold” file until personnel try to match the state serial number to those in the computerized listing. Items in the “hold” file have an approximate accumulated value of six million dollars. These items are still included in the Department’s inventory records.

Status: Partially corrected. The “hold” file does not exist in the new system, which was effective July 1, 2001.

Finding No: 98-580-012

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Reporting

Finding Summary: Various errors were noted with regards to the preparation of the Department’s Schedule of Expenditures of Federal Awards.

Status: No longer valid. This finding for FY 1998 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector’s Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in the June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Finding No: 98-580-014

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Reporting

Finding Summary: We noted the Schedule of Expenditures of Federal Awards, the 3040 report, and the supporting documentation may not be accurate or reliable. Items on these reports were not supported, did not reconcile, or the reports were not mathematically correct.

Status: No longer valid. This finding for FY 1998 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector’s Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Finding No: 98-580-016

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Special Tests and Provisions

Summary Schedule of Prior Findings

Finding Summary: Records are not accurate and reliable for determining the inventory on hand at June 30, 1998.

Status: No longer valid. This finding for FY 1998 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. A 100% physical inventory was performed in June 2001. All count sheets, data entry, verification, adjustments as well as re-verification are documented. The final Inventory Listing to be used as the new baseline inventory is also documented.

Finding No: 98-580-017

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Special Tests and Provisions

Finding Summary: Sold/donated items whose serial numbers do not match any of those in the inventory computer system are stored in a "hold" file until personnel try to match the state serial number to those in the computerized listing. Items in the "hold" file have an approximated accumulated value of six million dollars. These items are still included in the Department's inventory records.

Status: Partially corrected. The "hold" file does not exist in the new system, which was effective July 1, 2001.

Finding No: 99-580-007

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Reporting

Finding Summary: The total federal expenditures reported on the Schedule of Expenditures of Federal Awards were not supported by accurate inventory records.

Status: No longer valid. This finding for FY 1999 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Finding No: 99-580-009

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Reporting

Finding Summary: The Department could not provide inventory records to support the 3040 reports prepared during State Fiscal Year 1999.

Status: No longer valid. This finding for FY 1999 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Summary Schedule of Prior Findings

Finding No: 99-580-011

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Special Tests and Provisions

Finding Summary: The Department could not provide accurate and reliable records of inventory on hand at June 30, 1999.

Status: No longer valid. This finding for FY 1999 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. A 100% physical inventory was performed in June 2001. All count sheets, data entry, verification, adjustments as well as re-verification are documented. The final Inventory Listing to be used as the new baseline inventory is also documented.

Finding No: 99-580-012

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$16,500

Control Category: Allowable Costs/Cost Principles

Finding Summary: Appropriate state procedures were not followed for the purchase of a motor vehicle.

Status: Proper state procedures were followed in the acquisition of the motor vehicle. State Statutes and the Federal Property Management Act allow for the acquisition of motor vehicles within the mission of the Property Distribution Program through auctions and acquisitions from other Governmental entities without competitive bidding. GSA has not raised an issue with this acquisition and finds this acquisition to be within proper procedure. It was DCS's understanding that this finding would be cleared as of FYE 6/30/2000.

Finding No: 99-580-013

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: \$0

Control Category: Subrecipient Monitoring

Finding Summary: It appears the Department is not appropriately monitoring its subrecipients.

Status: Corrected. Compliance checks are performed on donees. This program does not have subrecipients. Compliance checks are performed in accordance with the Federal Property Management Act.

Finding No: 00-580-001

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Reporting

Finding Summary: The total federal expenditures reflected on the Schedule of Expenditures of Federal Awards were not supported by accurate inventory records.

Status: No longer valid. This finding for FY 2000 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Summary Schedule of Prior Findings

Finding No: 00-580-002

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Reporting

Finding Summary: The Department was unable to provide the appropriate inventory records to support the 3040 reports prepared during state fiscal year 2000.

Status: No longer valid. This finding for FY 2000 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in the June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Finding No: 00-580-003

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Special Tests and Provisions

Finding Summary: The Department was unable to provide accurate and reliable records to determine the inventory on hand at June 30, 2000.

Status: No longer valid. This finding for FY 2000 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. A 100% physical inventory was performed in June 2001. All count sheets, data entry, verification, adjustments as well as re-verification are documented. The final Inventory Listing to be used as the new baseline inventory is also documented.

Finding No: 00-580-004

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Equipment and Real Property Management

Finding Summary: A physical inventory of federal surplus property was performed during January 2000. However, no reconciliation was performed between the inventory count and the information in the accounting system.

Status: No longer valid. This finding for FY 2000 cannot be corrected. A meeting was held with GSA and the State Auditor and Inspector's Office at which it was agreed that a new inventory system should be developed. A new inventory system has been developed, a 100% physical inventory was conducted and a new baseline inventory was data entered into the new inventory system. As of 7/1/2001, the Schedule of Expenditures of Federal Awards, the 3040 report and supporting documentation is accurate and reliable. The new Property Distribution Inventory System is in place and has been tested for accuracy. A 100% physical inventory count was performed and verified in the June 2001 and this became the new baseline inventory. In addition, all reports and supporting documentation will be reviewed by both the Administrator and the Senior Auditor/Contract Audit and Training Branch Chief prior to submitting the reports to the appropriate officials.

Finding No: 00-580-005

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Subrecipient Monitoring

Summary Schedule of Prior Findings

Finding Summary: The Department was unable to provide a listing of property donated to subrecipients that required monitoring. In addition, the Department was unable to provide certain information regarding the submission by subrecipients of the "In-Use" form.

Status: Corrected. A complete listing of all donees with compliance requirements is available. In addition, a Property Distribution staff member monitors the compliance listing and updates the Administrator as to which donee is due a compliance check. Donees without the "In-Use" form are placed on deferred status until the "In-Use" form is obtained. Property Distribution notifies the donee that the "In-Use" form is required and that the donee is in deferred status until the form is returned.

Finding No: 00-580-006

CFDA: 39.003

Federal Agency: General Services Administration

Questioned Costs: Undeterminable

Control Category: Eligibility

Finding Summary: Three of sixty donee files did not contain the proper documentation regarding eligibility redetermination.

Status: Corrected. All donee files were reviewed, updated, and have the appropriate eligibility documentation.

Finding No: 00-580-008

CFDA: 39.003

Federal Agency: General Services Administration

Control Category: Information Systems

Finding Summary: The Department does not maintain a written disaster recovery plan.

Status: Partially corrected. DCS is continuing to work on a more detailed written disaster recovery plan at this time.

Civil Emergency Management

Finding No: 00-309-003

CFDA: 83.544

Federal Agency: Federal Emergency Management Agency

Control Category: Reporting

Finding Summary: Management has not established controls to perform monthly reconciliations of expenditures to the Office of State Finance.

Status: Partially corrected. The system for reconciling the OSF expenditures to this Agency's expenditures is under development. A "Paid Claims Log" has been placed into operation in FY 2001 to record all expenditures. An extended "Paid Claims Log" is being developed to add other financial information to the log, such as cash beginning of month, deposits, payroll (several), claims outstanding at month end, and fund balances per OSF reports. The information will be entered for each fund.

The expenditures, and deposits, will be reconciled with OSF records each month. Differences will be corrected at report time. The system is scheduled for completion, including systems testing, by February 2002.

Finding No: 00-309-005

CFDA: 83.544

Federal Agency: Federal Emergency Management Agency

Control Category: Cash Management

Finding Summary: Of 31 draws tested, two draws had excess cash on hand after three days and three draws were not disbursed within three days.

Status: Partially corrected. The procedure for improving the schedule for paying out Federal grant money is under development. All disaster grant draws will be scheduled for once weekly draws and expedited payment of claims giving rise to the draws. Processing of claims will be overlapped with waiting for wiring of disaster grant money, and subsequent depositing to the State funds for disbursement. These two days (or, sometimes, more) have sometimes delayed the processing of claims. This overlapping of

Summary Schedule of Prior Findings

activities should keep the draw-to-payment time within the three-day limit imposed by FEMA. This schedule is further enhanced by hand delivery of disaster claims to OSF and a negotiated expediting of all disaster claims by OSF.

As draws are only made for approved claims-in-hand, this procedure is expected to control payment of all disaster claims within three days of each draw.

Department of Education

Finding No: 96-265-003

CFDA: All Federal Programs

Federal Agency: U.S. Department of Education

Questioned Costs: \$6,200,000

Control Category: Allowable Costs/Cost Principles

Finding Summary: Statistical data reports submitted to the Office of Education's Statistics Center were audited by the Office of Inspector General. The years audited were 1982 through 1983, which determined the Department's federal program allocations for 1985 and 1986. The audit indicated that Oklahoma received an over-allocation.

Status: Partially Corrected. We have submitted information to the U.S. Department of Education regarding this finding, including possible offsets, and other allowances. Awaiting response of U.S. Department of Education.

Finding No: 00-265-001

CFDA: 84.010

Federal Agency: U.S. Department of Education

Questioned Costs: \$0

Control Category: Subrecipient Monitoring

Finding Summary: During program monitoring, no procedure was in place to review the LEA's supporting documentation for expenditures to ensure the costs charged to the program were for allowable activities. In addition, the program administrator position responsible for monitoring the northeast quarter of the state had been vacant since September 1998.

Status: Corrected

Finding No: 00-265-002

CFDA: 84.027, 84.173

Federal Agency: U.S. Department of Education

Questioned Costs: \$0

Control Category: Subrecipient Monitoring

Finding Summary: The Department did not have an ongoing monitoring process or written procedures for performing program monitoring. Instead the Department's procedure was to review only LEA's for which a complaint was received. Of the 26 LEA's scheduled to be reviewed in FY 2000, only nine were actually completed.

Status: Partially corrected. The State Department of Education (SDE) is in the process of completely revising its IDEA-B written procedures to ensure an ongoing monitoring process of all local educational agencies (LEAs) in response to the U.S. Department of Education's IDEA Continuous Improvement Monitoring Process (CIMP). The SDE is performing a self-assessment of its compliance with IDEA regulations, under the direction of the U.S. Department of Education, to be submitted to the U.S. Department of Education by December, 2001. As reported and explained in the SDE's previous response to the State Auditor's Office, these revised procedures, to be completed during the current school year, will include the following: an annual self-assessment of compliance with IDEA regulations to be conducted by all LEAs (to be implemented during this school year), with the SDE annually verifying the accuracy of the LEA self-assessments through desk audit reviews/analyses by SDE staff and onsite reviews of this data to be conducted at random and at selected LEAs statewide; focused onsite reviews, based upon data analysis, whereby compliance with specific IDEA regulations is investigated onsite at LEAs determined by the SDE; in-depth onsite reviews, based upon data analysis, whereby a comprehensive review of compliance with all

Summary Schedule of Prior Findings

IDEA regulations is conducted onsite at LEAs determined by the SDE; and any other onsite reviews that are needed to verify compliance with IDEA regulation(s), at any time determined necessary by the SDE. These revised monitoring procedures are to be implemented in addition to the routine and regular desk audit reviews of LEA financial, program, and child count information already being performed by the SDE.

Finding No: 00-265-003

CFDA: 84.340

Federal Agency: U.S. Department of Education

Questioned Costs: \$0

Control Category: Subrecipient Monitoring

Finding Summary: The Department does not have policies and procedures established for subrecipient monitoring.

Status: Corrected

Finding No: 00-265-007

CFDA: 84.027, 84.173

Federal Agency: U.S. Department of Education

Questioned Costs: \$0

Control Category: Reporting

Finding Summary: During testing of the child count report, we identified four children who were possible duplicates that were not identified as such by the Department. In addition, the Department did not have an established method to document the resolution of children who were identified as possible duplicates.

Status: Corrected

Finding No: 00-265-008

CFDA: 84.010, 84.027, 84.173, 84.340

Federal Agency: U.S. Department of Education

Control Category: Information Systems

Finding Summary: The Department was unable to provide an IS Strategic Plan.

Status: Corrected.

Finding No: 00-265-009

CFDA: 84.010, 84.027, 84.173, 84.340

Federal Agency: U.S. Department of Education

Control Category: Information Systems

Finding Summary: The Department's Disaster Recovery Plan appeared to be missing essential elements.

Status: Not corrected. Work is underway on the disaster recovery plan, however it is neither complete nor finalized at this point in time. Draft text of recommendations for the disaster recovery plan has been formulated. Also, information lists have been updated.

Finding No: 00-265-010

CFDA: 84.010, 84.027, 84.173, 84.340

Federal Agency: U.S. Department of Education

Control Category: Information Systems

Finding Summary: System security review indicated that LAN services will render an a user ID useless only after fifteen consecutive login attempts.

Status: Corrected

Oklahoma Employment Security Commission

Finding No: 99-290-001

CFDA: 17.207

Federal Agency: U.S. Department of Labor

Questioned Costs: \$205,000

Control Category: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Procurement

Summary Schedule of Prior Findings

Finding Summary: There was insufficient supporting documentation to determine if several amounts paid were allowable under state or federal laws and regulations.

Status: Corrected

Finding No: 00-290-01S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Procurement

Finding Summary: Certain contracts appeared to circumvent the Central Purchasing Act.

Status: Corrected

Finding No: 00-290-02S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Subrecipient Monitoring

Finding Summary: The Department did not monitor subrecipients to ensure the goals stated in the planning summary were met.

Status: Corrected

Finding No: 00-290-03S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Questioned Costs: Unknown

Control Category: Earmarking

Finding Summary: The Department's contractor did not meet the required earmarking requirements. Records showed that 41% of program funds were spent where the required percentage was 70%. In addition, the remaining 59% of program funds were spent on the 30% requirement.

Status: Partially Corrected – We have contracted with the State Auditor and Inspector to conduct a Special Welfare-to-Work audit. OESC has frozen all funds to the grant recipient pending the results of the special audit. Appropriate action will be taken for any questioned costs.

Finding No: 00-290-04S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Questioned Costs: Unknown

Control Category: Earmarking

Finding Summary: The 15% expenditure limit for administrative costs may have been exceeded.

Status: Partially Corrected – We have contracted with the State Auditor and Inspector to conduct a Special Welfare-to-Work audit. OESC has frozen all funds to the grant recipient pending the results of the special audit. Appropriate action will be taken for any questioned costs.

Finding No: 00-290-05S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Procurement

Finding Summary: Contractors of the Department entered into subcontracts without the written permission of the Department.

Status: Corrected

Finding No: 00-290-06S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Allowable Costs/Cost Principles

Finding Summary: The Department made payment to a contractor for services rendered during a time period the contract was not in force.

Status: Corrected

Summary Schedule of Prior Findings

Finding No: 00-290-07S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Questioned Costs: Unknown

Control Category: Allowable Costs/Cost Principles

Finding Summary: Payments were made to contractors that were not supported by documentation.

Status: Partially Corrected - We have contracted with the State Auditor and Inspector to conduct a Special Welfare-to-Work audit. OESC has frozen all funds to the grant recipient pending the results of the special audit. Appropriate action will be taken for any questioned costs.

Finding No: 00-290-08S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Procurement

Finding Summary: Grants awarded from the Governor's 15% discretionary funds were not awarded on a competitive basis as required by the State Plan.

Status: Partially Corrected – The State Plan is currently being modified and all future contracts will be awarded in compliance with the plan.

Finding No: 00-290-09S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Subrecipient Monitoring

Finding Summary: The Department did not recover funds reported as questionable in its contractor's Fiscal and Programmatic Monitoring Review Report.

Status: Partially Corrected – OESC has made improvements to the Oversight and Monitoring Plan. We are establishing an advisory committee to resolve monitoring reports and ensure appropriate corrective action when necessary. Monitoring reports that contain material weaknesses shall require follow-up procedures including on-site testing. Grant recipients are also required to monitor subcontracts with administrative entities providing program services.

In addition, we have contracted with the State Auditor and Inspector to conduct a Special Welfare-to-Work audit. OESC has frozen all funds to the grant recipient pending the results of the special audit. Appropriate action will be taken for any questioned costs.

Finding No: 00-290-10S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Subrecipient Monitoring

Finding Summary: Findings noted during monitoring performed by Department personnel did not appear to be adequately communicated to program administrators.

Status: Corrected

Finding No: 00-290-11S

CFDA: 17.253

Federal Agency: U.S. Department of Labor

Control Category: Subrecipient Monitoring

Finding Summary: The Department did not receive an independent financial and compliance audit from one of its contractors as required.

Status: Corrected

Finding No: 00-290-12S

CFDA: 17.250

Federal Agency: U.S. Department of Labor

Control Category: Procurement

Summary Schedule of Prior Findings

Finding Summary: Certain contracts appeared to circumvent the Central Purchasing Act.

Status: Partially Corrected – We will continue to seek guidance from the Department of Central Services to ensure compliance with its procurement regulations.

Finding No: 00-290-13S

CFDA: 17.250

Federal Agency: U.S. Department of Labor

Control Category: Procurement

Finding Summary: The Department awarded funds to a third party for curriculum development; however, no contractual agreement existed.

Status: Corrected

Oklahoma Health Care Authority

Finding No: 99-807-005

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Questioned Costs: Undeterminable

Control Category: Allowable Costs/Cost Principles

Finding Summary: Various problems were noted within the Third Party Liability unit.

Status: Corrected

Finding No: 00-807-001

CFDA: 93.767, 93.778

Federal Agency: Department of Health and Human Services

Control Category: Information Systems

Finding Summary: Servers have not been programmed to render an ID useless after five consecutive login attempts.

Status: Corrected

Finding No: 00-807-004

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Questioned Costs: \$4,551

Control Category: Special Tests and Provisions – Provider Eligibility

Finding Summary: Provider Master Files maintained by the Department's fiscal agent did not contain all required documentation. In addition, we were unable to verify a current license for five providers.

Status: Corrected

Finding No: 00-807-005

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Questioned Costs: \$6,791

Control Category: Activities Allowed or Unallowed

Finding Summary: During testing of forty-five medical claims, medical records to support four of the claims could not be located.

Status: Partially Corrected, documentation to support one claim has been furnished, for the three remaining claims; a new owner (Hillcrest Health Care) has requested some time for them to research. Will follow up and take appropriate action.

Finding No: 00-807-007

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Questioned Costs: \$10,432

Control Category: Period of Availability

Summary Schedule of Prior Findings

Finding Summary: One paid claim appeared to have not been submitted to the fiscal agent within twelve months of the date of service as required.

Status: Corrected.

Finding No: 00-807-008

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Questioned Costs: \$7,376

Control Category: Activities Allowed or Unallowed

Finding Summary: During review of nursing facilities claims, five instances were noted in which two providers submitted claims for the same recipient and same dates of services.

Status: Corrected.

Finding No: 00-807-009

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Questioned Costs: \$673

Control Category: Activities Allowed or Unallowed

Finding Summary: During testwork of durable medical equipment claims, the procedure code of eight claims did not appear to be consistent with the diagnosis. In addition, for twenty-two claims, no diagnosis code description was indicated.

Status: Corrected

Finding No: 00-807-011

CFDA: 93.777

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Provider Health and Safety Standards

Finding Summary: The Authority did not have documentation showing that providers had met the required health and safety standards for six of thirty-five items tested.

Status: Corrected.

Department of Human Services

Finding No: 96-830-058

CFDA: 10.550

Federal Agency: U.S Department of Agriculture

Control Category: Eligibility

Questioned Costs: \$ -0-

Finding Summary: Shipping documents were not sequentially numbered, did not show a value for commodities shipped, and were not signed by a Certified Authority or designee.

Status: Corrected.

Finding No: 96-830-126

CFDA: 93.560, 93.575, 93.667, 93.994

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed, Eligibility

Questioned Costs: \$198,628

Finding Summary: Of 159 day care facilities reviewed by DHS-OIG, there were instances of over capacity, not keeping proper service attendance records, having no parent signatures or forging parent signatures on the service attendance records, claiming days that were not authorized by parents, claiming children which were not authorized, claiming full-time services when only part-time services were rendered, rate errors or miscalculations, and charging DHS clients more than private pay clients.

Status: Partially corrected. The Electronic Benefit Transfer (EBT) project for daycare benefits is ongoing. EBT is still operational in one county in the southwest part of the state and will rollout to 3 other counties on January 1st of 2002. The Department plans to rollout counties in a fashion that is as problem free as possible: therefore, a final date for statewide implementation is not determinable at this time. It

Summary Schedule of Prior Findings

should be noted that Oklahoma is the first state in the nation to embark on an EBT day care project and, as such, delays and unforeseen problems are inevitable.

Finding No: 97-830-015

CFDA: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Finding Summary: Four cases did not indicate that a current re-evaluation had been performed before payment was made to the foster parents.

Status: Corrected.

Finding No: 97-830-035

CFDA: 10.550

Federal Agency: U.S. Department of Agriculture

Control Category: Eligibility

Finding Summary: There are no controls in the Commodity Distribution Unit to prevent the activation of recipient agencies without the proper authorization or to prevent the deactivation of recipient agencies.

Status: Corrected.

Finding No: 97-830-042

CFDA: 10.550

Federal Agency: U.S. Department of Agriculture

Control Category: Special Tests and Provisions

Finding Summary: Internal control weaknesses regarding processors were: all employees in the unit have access to the processor files and can make changes without authorization, and information received from processors is reported to the USDA without being reconciled with the information in the unit's system.

Status: Corrected.

Finding No: 97-830-045

CFDA: 10.550

Federal Agency: U.S. Department of Agriculture

Control Category: Eligibility

Questioned Costs: \$ -0-

Finding Summary: The shipping documents were not sequentially numbered, did not reflect a value for the commodities shipped, and did not contain a name for the Designated Authority for verification purposes.

Status: Corrected.

Finding No: 97-830-081

CFDA: 93.560, 93.574, 93.575, 93.596, 93.667

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Finding Summary: The Department does not have an effective method to monitor and ensure that day care facilities and clients are claiming only for days/hours provided in the client's plan of service.

Status: Partially corrected. The Electronic Benefit Transfer (EBT) project for daycare benefits is ongoing. EBT is still operational in one county in the southwest part of the state and will rollout to 3 other counties on January 1st of 2002. The Department plans to rollout counties in a fashion that is as problem free as possible: therefore, a final date for statewide implementation is not determinable at this time. It should be noted that Oklahoma is the first state in the nation to embark on an EBT day care project and, as such, delays and unforeseen problems are inevitable.

Finding No: 97-830-083

CFDA: 93.560, 93.574, 93.575, 93.596, 93.667

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Questioned Costs: \$365,261

Summary Schedule of Prior Findings

Finding Summary: Of 199 day care facilities reviewed by DHS-OIG, there were instances of over capacity, not keeping proper service attendance records, having no parent signatures or forging parent signatures on the service attendance records, claiming for days when child did not attend, claiming for days not listed on signed service/attendance records, and claiming full-time services when only part-time services were rendered.

Status: Partially corrected. The Electronic Benefit Transfer (EBT) project for daycare benefits is ongoing. EBT is still operational in one county in the southwest part of the state and will rollout to 3 other counties on January 1st of 2002. The Department plans to rollout counties in a fashion that is as problem free as possible: therefore, a final date for statewide implementation is not determinable at this time. It should be noted that Oklahoma is the first state in the nation to embark on an EBT day care project and, as such, delays and unforeseen problems are inevitable.

Finding No: 98-830-003

CFDA: 10.550

Federal Agency: U.S. Department of Agriculture

Control Category: Eligibility

Finding Summary: There are no controls in the Commodity Distribution Unit to prevent the activation of recipient agencies without the proper authorization or to prevent the deactivation of recipient agencies.

Status: Corrected.

Finding No: 98-830-005

CFDA: 10.550

Federal Agency: U.S. Department of Agriculture

Control Category: Special Tests and Provisions

Finding Summary: Internal control weaknesses regarding processors were: all employees in the unit have access to the processor files and can make changes without authorization, information received from processors is relied on and reported to the USDA, there is no verification to determine the recipient agency actually received processed commodities shown on the monthly processor reports, and the unit's computer system will not update a processed truck until the truck is completely sold.

Status: Corrected.

Finding No: 98-830-008

CFDA: 10.550

Federal Agency: U.S. Department of Agriculture

Control Category: Eligibility

Questioned Costs: \$ -0-

Finding Summary: Shipping documents were not sequentially numbered.

Status: Corrected.

Finding No: 98-830-027

CFDA: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$ 7,461

Finding Summary: Twenty-two case files tested did not reflect that the required annual assessment had been completed.

Status: Corrected.

Finding No: 98-830-031

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Questioned Costs: \$ -0-

Finding Summary: Various errors were found in the Emergency TANF Data Report.

Status: Corrected.

Summary Schedule of Prior Findings

Finding No: 98-830-034

CFDA: 93.575, 93.596, 93.667

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Finding Summary: The Department does not have an effective method to monitor and ensure that day care facilities and clients are claiming only for days/hours provided in the client's plan of service.

Status: Partially corrected. The Electronic Benefit Transfer (EBT) project for daycare benefits is ongoing. EBT is still operational in one county in the southwest part of the state and will rollout to 3 other counties on January 1st of 2002. The Department plans to rollout counties in a fashion that is as problem free as possible: therefore, a final date for statewide implementation is not determinable at this time. It should be noted that Oklahoma is the first state in the nation to embark on an EBT day care project and, as such, delays and unforeseen problems are inevitable.

Finding No: 98-830-039

CFDA: 93.596

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Questioned Costs: \$706,094

Finding Summary: Of 180 day care facilities reviewed by DHS-OIG, there were instances of over capacity, not keeping proper service attendance records, having no parent signatures or forging parent signatures on the service attendance records, claiming for days when child did not attend, claiming for days not listed on signed service/attendance records, and claiming full-time services when only part-time services were rendered.

Status: Partially corrected. The Electronic Benefit Transfer (EBT) project for daycare benefits is ongoing. EBT is still operational in one county in the southwest part of the state and will rollout to 3 other counties on January 1st of 2002. The Department plans to rollout counties in a fashion that is as problem free as possible: therefore, a final date for statewide implementation is not determinable at this time. It should be noted that Oklahoma is the first state in the nation to embark on an EBT day care project and, as such, delays and unforeseen problems are inevitable.

Finding No: 99-830-010

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Finding Summary: There are no written policies for determining which social workers' files are reviewed by supervisors. Also, the Administrative Review Unit of the Office of Inspector General terminated their internal audits concerning eligibility of TANF cases effective January 1, 1999.

Status: Corrected.

Finding No: 99-830-011

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Questioned Costs: \$0

Finding Summary: Various errors were found in the Emergency TANF Data Report.

Status: Corrected.

Finding No: 99-830-012

CFDA: 10.550

Federal Agency: U. S. Department of Agriculture

Control Category: Eligibility

Finding Summary: There are no controls in place to prevent the activation or deactivation of recipient agencies without proper authorization.

Status: Corrected.

Finding No: 99-830-017

Summary Schedule of Prior Findings

CFDA: 93.558, 93.778, 10.551, 93.566, 93.944, 93.667, 93.568, 93.658

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

Control Category: Allowable Costs/Cost Principles

Finding Summary: For the quarter ended 12/31/98, expenditures for the Family Support Services Data Processing Unit were allocated based on the previous quarter's P240 Cost Allocation Pro-ration Report.

Status: Corrected.

Finding No: 99-830-021

CFDA: 93.596

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Questioned Costs: \$967,755

Finding Summary: The Department's Office of the Inspector General audited 174 day care facilities in FY99, and noted various instances of non-compliance.

Status: Partially corrected. The Electronic Benefit Transfer (EBT) project for daycare benefits is ongoing. EBT is still operational in one county in the southwest part of the state and will rollout to 3 other counties on January 1st of 2002. The Department plans to rollout counties in a fashion that is as problem free as possible: therefore, a final date for statewide implementation is not determinable at this time. It should be noted that Oklahoma is the first state in the nation to embark on an EBT day care project and, as such, delays and unforeseen problems are inevitable.

Finding No: 99-830-024

CFDA: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$4,545

Finding Summary: Of the 60 case files tested, 13 annual assessments were not completed as required.

Status: Corrected.

Finding No: 99-830-025

CFDA: 93.575, 93.596, 93.667

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Finding Summary: The Department does not have an effective method to monitor and ensure that day care facilities and clients are claiming only for days/hours provided in the clients' plan of service.

Status: Partially corrected. The Electronic Benefit Transfer (EBT) project for daycare benefits is ongoing. EBT is still operational in one county in the southwest part of the state and will rollout to 3 other counties on January 1st of 2002. The Department plans to rollout counties in a fashion that is as problem free as possible: therefore, a final date for statewide implementation is not determinable at this time. It should be noted that Oklahoma is the first state in the nation to embark on an EBT day care project and, as such, delays and unforeseen problems are inevitable.

Finding No: 99-830-028

CFDA: 10.551, 10.561, 93.558, 93.563, 93.575, 93.596, 93.658, 93.667, 93.994

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

Control Category: Reporting

Finding Summary: There are no written policies and procedures, which apply to the Cost Accounting and Revenue Enhancement Unit of the Office of Finance.

Status: Partially corrected. Written documentation is an on-going process. Federal regulations and costs data frequently change which in turn causes staff members to change their documentation requirements.

Finding No: 99-830-033

CFDA: 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Cash Management

Questioned Costs: \$0

Summary Schedule of Prior Findings

Finding Summary: There is no documentation to determine that estimated amounts for draws were adjusted to actual on a quarterly basis.

Status: Corrected.

Finding No: 99-830-035

CFDA: 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: Expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) appear to materially agree to Department accounting records in total for the Child Care and Development Block Grant and the Child Care and Development Fund. However, expenditures on the SEFA could not be traced to the accounting records for each program separately.

Status: Not corrected. Regulations may be changed during the reauthorization process. DHS employs a seamless funding strategy for daycare assistance and does not specifically identify Federal-funding sources at the time the expenditure occurs. A recipient is eligible for daycare assistance in general and not a particular financing source. The Department believes that the current method is desirable and does not anticipate any changes. Therefore, DHS does not literally comply with the regulations to specifically identifying expenditures to Federal-funding initially.

Finding No: 00-830-004

CFDA: 10.550

Federal Agency: Department of Agriculture

Control Category: Eligibility

Finding Summary: There are no controls in place to prevent the activation or deactivation of recipient agencies without proper authorization.

Status: Corrected.

Finding No: 00-830-011

CFDA: 93.659

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$11,033

Finding Summary: Adoption Assistance case files did not contain documentation required by Federal regulations and/or Department policy.

Status: Partially corrected. See management's response at finding 01-830-020.

Finding No: 00-830-013

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed, Eligibility

Questioned Costs: \$2,486

Finding Summary: Case files did not contain documentation required by Department policy to ensure only eligible participants are served and the correct benefit amount is paid.

Status: Not corrected. See management's response at finding 01-830-027.

Finding No: 00-830-014

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$848

Finding Summary: Eligibility could not be determined because two case records could not be located and one case record did not contain a current application.

Status: Corrected.

Finding No: 00-830-015

CFDA: 93.658

Summary Schedule of Prior Findings

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Questioned Costs: \$5,272

Finding Summary: Foster Care case files did not contain documentation required by Federal regulations and/or Department policy.

Status: Partially corrected. IV-E Eligibility is being automated but is not fully implemented at this time.

Finding No: 00-830-016

CFDA: 93.558, 93.563, 93.575, 93.596, 93.658

Federal Agency: Department of Health and Human Services

Control Category: Cash Management

Finding Summary: Seven draws were identified that were not in accordance with the funding technique required by the CMIA agreement. In addition, there was no documentation supporting the amount of nine draws.

Status: Corrected.

Finding No: 00-830-018

CFDA: 93.558, 93.778, 10.551, 93.566, 93.994, 93.667, 93.567, 93.658

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: For the quarter ended 3/31/00, expenditures for the Family Support Services Data Processing Unit were allocated based on the quarter ending 6/30/99 P240 Cost Allocation Pro-ration Report. The expenditures are to be based on current data.

Status: Corrected.

Finding No: 00-830-019

CFDA: 93.658, 63.659

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs and Cost Principles

Questioned Costs: \$0

Finding Summary: The Department is not distinguishing direct administrative costs between Title IV-E Foster Care, Adoption Assistance, and the KIDS system. All direct administrative costs are being charged to Title IV-E Foster Care.

Status: Not corrected. Concur with the condition stated. After reviewing our process, we agree that the KIDS system costs were charged to the IV-E Pool instead of the KIDS Pool (which is still charged in total to IV-E). The pool number has been changed. We do have two locations for clothing costs. It didn't work because eligibility type can't be determined at time of payment. Both locations are charged to non-federal. Separate reports are produced by Finance-systems to split costs between IV-E and non-IV-E and Robbie reports the IV-E amount on that report.

Finding No: 00-830-021

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Questioned Costs: \$0

Finding Summary: The Department was unable to provide detail to support 11% of the households shown as being served per the Annual Report of Households Assisted.

Status: Not corrected. See management's response at finding 01-830-028.

Finding No: 00-830-023

CFDA: 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Period of Availability, Reporting

Questioned Costs: \$0

Finding Summary: Expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) appear to materially agree to Department accounting records in total for the Child Care and Development

Summary Schedule of Prior Findings

Block Grant and the Child Care and Development Fund. However, expenditures on the SEFA could not be traced to the accounting records for each program separately. In addition, because we were unable to identify which program funds were used to pay for administrative claims, we were unable to test the period of availability requirement on an individual transaction level.

Status: Not corrected. Regulations may be changed during the reauthorization process. DHS employs a seamless funding strategy for daycare assistance and does not specifically identify Federal-funding sources at the time the expenditure occurs. A recipient is eligible for daycare assistance in general and not a particular financing source. The Department believes that the current method is desirable and does not anticipate any changes. Therefore, DHS does not literally comply with the regulations to specifically identifying expenditures to Federal-funding initially.

Finding No: 00-830-024

CFDA: 93.558, 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Questioned Costs: \$0

Finding Summary: The Department's ACF-696 and ACF-196 reports do not agree to Department accounting records on a quarterly or annual basis.

Status: Corrected.

Finding No: 00-830-025

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Questioned Costs: \$0

Finding Summary: The Department's ACF-202 Caseload Reduction Credit Report was prepared using state fiscal year data rather than federal fiscal year data.

Status: Corrected.

Office of Juvenile Affairs

Finding No: 00-400-001

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Questioned Costs: Undeterminable

Finding Summary: Unallowable costs may have been charged to the Medicaid program.

Status: Partially corrected. The Office of Juvenile Affairs (OJA) has continued to work closely with the Oklahoma Health Care Authority (OHCA) to amend the OJA cost allocation plan. OJA's original deadline for resolution of this finding was March 31, 2001. However, OHCA extended the deadline to allow OJA ample time to appropriately calculate and capture costs related to the cost allocation plan. OJA plans to submit the amended plan to OHCA by March 2002.

State Of Oklahoma

Finding No: 97-003-001

CFDA: Various Programs

Questioned Costs: \$7,715,064

Finding Summary: During fiscal year 1997, \$31,500,000 accounted for as state employee insurance premiums, and designated to provide insurance coverage for state employees, was transferred to fund higher education. A portion of this amount was charged to various Federal programs, and reimbursement from the Federal government was obtained by various state agencies. This transfer resulted in using Federal funds for purposes not allowed under the various Federal programs.

Status: The Federal Government through the Division of Cost Allocation has made a claim against the State of Oklahoma (State) in the amount of \$7,715,064 plus accrued interest for reimbursement of the

Summary Schedule of Prior Findings

federal share of group health insurance premiums diverted from the Oklahoma State Employees Group Insurance Fund (OSEEGIB) to finance other activities of state government, thereby allegedly violating the cost allowance provisions of OMB A-87.

However, the Office of State Finance (OSF), representing the State, disagrees with this finding. The amounts in dispute were not employer paid premiums, but rather payments made at the discretion of state employees. The source of the payments was both salary and a benefit allowance over which the employee exercised discretion. State employees are required to carry insurance coverage but are allowed to select the insurance provider. In addition to the state-sponsored plan (OSEEGIB), the employees could select from among eight (8) health maintenance organizations (HMO's). (A similar discretionary situation existed with respect to dental insurance coverage.)

All payments for OSEEGIB health insurance (which were later intercepted and diverted to other state activities) were made at the direction of state employees, acting in what they believed to be their own best interest. All benefits promised to the employees were delivered. Federal programs were not charged for payments to OSEEGIB. Federal programs were only charged for salary and a benefit allowance, which were provided to state employees in accord with OMB Circular A-87.

On December 30, 1999, the federal Department of Health and Human Services (DHHS) notified the State of Oklahoma, through the Office of State Finance, of their intent to initiate collection action against the State if settlement of this matter were not resolved by payment on or before January 29, 2000.

On January 31, 2000, DHHS initiated collection action against the State and through February 8, 2000, inclusively, collected \$247,111.36 via offsets of various federal program awards to various agencies of the State.

The Office of State Finance was successful, effective February 9, 2000, inclusively, in effecting a 'suspension' of said collection action, based upon verbal expression of intent to file a lawsuit in U.S. District Court, Western Oklahoma. A suit was filed on February 11, 2000, against the United States Department of Health and Human Services, requesting court review of this matter. The State was been granted an oral argument hearing in the U.S. District Court for the Western District of Oklahoma in March 2002.

It remains the desire and hope of the Office of State Finance to resolve this case with the DHHS, through administrative action, thus avoiding lengthy and costly court action.

Department Of Public Safety

Finding No: 98-585-007

CFDA: 20.600

Federal Agency: U.S. Department of Transportation

Control Category: Cash Management

Finding Summary: Of 45 claims tested, we noted federal funds drawn for the payment of seven of these claims were not disbursed in a timely manner.

Status: Corrected.

Department Of Rehabilitation Services

Finding No: 00-805-001

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Eligibility

Finding Summary: The Department does not maintain formal conflict of interest statements for individuals that determine eligibility.

Summary Schedule of Prior Findings

Status: Corrected.

Finding No: 00-805-002

CFDA: 84.126

Federal Agency: Department of Education, Social Security Administration

Control Category: Information Systems

Finding Summary: The Department does not have a written Disaster Recovery Plan.

Status: Partially Corrected. The Department has a draft of their Disaster Recover Plan. We have built a disaster recovery center (duplicate of the Landmark Tower Center) at the Shephard Mall. We have our backup AS400 up and running and are completing the communications portion (est. comp. April 15, 2002). At that point we will be able to complete the Plan along with all the specifics relative to the backup site. When completed the Plan will be forwarded to OSF and a copy for your information.

Finding No: 00-805-003

CFDA: 84.126

Federal Agency: Department of Education, Social Security Administration

Control Category: Information Systems

Finding Summary: We noted the lack of a mechanism to monitor access to the Department's computer room. In addition, we noted the computer room did not have a fire suppression system.

Status: Corrected.

Finding No: 00-805-004

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Reporting

Questioned Costs: \$0

Finding Summary: The Departments RSA-2 report was submitted five months late.

Status: Corrected.

Finding No: 00-805-005

CFDA: 84.126

Federal Agency: Department of Education, Social Security Administration

Control Category: Cash Management

Questioned Costs: \$0

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: Not Corrected. The Department is looking at modifying the Cash Agreement to allow for compliance within our business structure. See current year finding 01-805-001.

Finding No: 00-805-006

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Allowable Costs/Cost Principles

Questioned Costs: \$283,428

Finding Summary: The Department did not have a cost allocation plan in effect. As a result, costs were being charged to the VR program which were not specifically identifiable to the program.

Status: Partially corrected. See management response at current year finding 01-805-002.

Finding No: 00-805-007

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Activities Allowed/Unallowed, Eligibility, Special Tests and Provisions- Individual Written Rehabilitation Program (IWRP), Special Tests and Provisions – Comparable Services and Benefits

Questioned Costs: \$3,393

Summary Schedule of Prior Findings

Finding Summary: During our review of sixty case files, three did not contain an Individual plan for Employment or proper documentation to support the determination of eligibility, the nature and scope of the services provided or if comparable services were sought.

Status: Corrected.

Department Of Transportation

Finding No: 00-345-017

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Cash Management

Questioned Costs: \$0

Finding Summary: Six of ten weekly billings tested were not requested with the composite clearance requirements as required by the CMIA agreement.

Status: No longer valid. The CMIA agreement has been modified and approved by the U.S. Treasury for fiscal year 2002. ODOT is in compliance with the revised fiscal year 2002 CMIA agreement.

Finding No: 00-345-048

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Davis-Bacon Act

Questioned Costs: \$0

Finding Summary: While performing test work, we noted that for three of twenty-five projects, some employees were paid wages less than the prevailing wage rates. In addition, for two of the twenty-five projects the work class for some employees did not appear appropriate.

Status: Partially corrected. The Department personnel responsible for monitoring the provisions of Davis-Bacon were notified in March 2001 to review the requirements contained in Construction Control Directive 971114 to ensure compliance with the federal regulations. Corrective action on 4 of the 5 projects cited in the audit point has been completed.

Finding No: 00-345-1IS

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Information Systems

Finding Summary: The Department does not have written policies and procedures regarding system security.

Status: Not corrected. The Division did not fully complete reorganization during calendar year 2001. Executive level changes affecting ODOT have led to this process continuing longer than was anticipated. Updates of policies and procedures in the Development and Maintenance section were made in February 2001. Comprehensive written policies and procedures will be addressed following completion of reorganization. Performance of this task prior to completion of reorganization would be unproductive.

Finding No: 00-345-2IS

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Information Systems

Finding Summary: There does not appear to be adequate segregation of duties between development, change management, maintenance and security audit and administration.

Status: Not corrected. Current reorganization is addressing these and similar concerns. Adequate segregation of duties will be present as a result of reorganization.

Finding No: 00-345-3IS

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Information Systems

Summary Schedule of Prior Findings

Finding Summary: A specific individual has not been designated for the centralized librarian of back up tapes and program documentation. In addition, it appears no one is maintaining an inventory of the media library in order to maintain an adequate up-to-date inventory of programs, updates, and changes made to the system.

Status: Corrected. The IAM system is used to track documentation, program inventory, updates and changes made to the system. An established system is used by ISD personnel to secure back up tapes providing for storage off-site of the primary system.

Finding No: 00-345-4IS

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Information Systems

Finding Summary: Back up tapes stored at an off-site location are not adequately protected from fire.

Status: Corrected. Back up tape storage protection is under consideration as a result of naturally occurring events and the terrorist attacks on our nation in 2001.

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Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Attorney General

93.775 State Medicaid Fraud Control Units

Boll Weevil Eradication

10.025 Plant and Animal Disease, Pest Control, and Animal Care

Bureau of Narcotics and Dangerous Drugs Control

00.031 Marijuana Eradication Suppression Program

Conservation Commission

10.902 Soil and Water Conservation

15.252 Abandoned Mine Land Reclamation (AMLR) Program

Corporation Commission

20.700 Pipeline Safety

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

Department of Agriculture

10.025 Plant and Animal Disease, Pest Control, and Animal Care

10.064 Forestry Incentives Program

10.163 Market Protection and Promotion

10.435 State Mediation Grants

10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection

10.664 Cooperative Forestry Assistance

10.901 Resource Conservation and Development

10.902 Soil and Water Conservation

59.009 Procurement Assistance to Small Businesses

66.700 Consolidated Pesticide Enforcement Cooperative Agreements

Department of Career and Technology Education

12.002 Procurement Technical Assistance For Business Firms

17.207 Employment Service

17.249 Employment Services and Job Training - Pilot and Demonstration Programs

84.048 Vocational Education-Basic Grants to States

84.051 National Vocational Education Research

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

84.116 Fund for the Improvement of Postsecondary Education
84.243 Tech-Prep Education
84.346 Occupational and Employment Information State Grants

Department of Central Services

39.003 Donation of Federal Surplus Personal Property

Department of Civil Emergency Management

20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants
83.105 Community Assistance Program - State Support Services Element
83.536 Flood Mitigation Assistance
83.543 Individual and Family Grants
83.544 Public Assistance Grants
83.548 Hazard Mitigation Grant
83.552 Emergency Management Performance Grants

Department of Commerce

14.228 Community Development Block Grant-State's Program
14.231 Emergency Shelter Grant Program
14.238 Shelter Plus Care
66.606 Surveys, Studies, Investigations and Special Purpose Grants
81.041 State Energy Program
81.042 Weatherization Assistance of Low-Income Persons
93.569 Community Services Block Grant
93.571 Community Services Block Grant Discretionary Awards-Community Food and Nutrition
93.585 Empowerment Zones Program
93.600 Head Start

Department of Corrections

16.008 State and Local Domestic Preparedness Training Program
16.586 Violent Offender Incarceration and Truth in Sentencing Incentive Grants
16.606 State Criminal Alien Assistance Program
84.331 Grants to States for Incarcerated Youth Offenders

Department of Education

10.553 School Breakfast Program
10.555 National School Lunch Program

Schedule of Federal Programs by State Agency

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
10.564	Nutrition Education and Training Program
12.000	Troops for Teachers
15.130	Indian Education-Assistance to Schools
84.002	Adult Education-State Grant Program
84.003	Bilingual Education
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education-Basic State Grant Program
84.013	Title I Program for Neglected and Delinquent Children
84.025	Services for Children with Deaf-Blindness
84.027	Special Education-Grants to States
84.029	Special Education-Personnel Development and Parent Training
84.086	Special Education-Program for Severely Disabled Children
84.158	Secondary Education and Transitional Services for Youth with Disabilities
84.162	Immigrant Education
84.173	Special Education-Preschool Grants
84.181	Special Education-Grants for Infants and Families with Disabilities
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
84.215	Fund for the Improvement of Education
84.216	Capital Expenses
84.249	Foreign Language Assistance Grants
84.281	Eisenhower Professional Development State Grants
84.282	Charter Schools
84.298	Innovative Education Program Strategies
84.318	Technology Literacy Challenge Fund Grants
84.323	Special Education-State Program Improvement Grants for Children with Disabilities

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities
84.330	Advanced Placement Incentive Program
84.332	Comprehensive School Reform Demonstration
84.338	Reading Excellence
84.340	Class Size Reduction
84.348	Title I Accountability Grants
93.576	Refugee and Entrant Assistance-Discretionary Grants
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems
94.004	Social Security-Survivors Insurance
94.005	Learn and Serve America-Higher Education Special Benefits for Disabled Coal Miners
94.013	Volunteers in Service to America

Department of Environmental Quality

12.113	St. Memo of Agreement for Reimb. of Tech. Services
66.032	State Indoor Radon Program
66.468	Capitalization Grants for Drinking Water State Revolving Fund
66.605	Performance Partnership Grants
66.606	Special Purpose
66.608	One Stop Reporting
66.701	TSCA Monitoring
66.708	Pollution Prevention Incentives - States
66.802	Hazardous Substance Response Trust Fund
66.808	Revised Municipal Solid Waste Landfill

Department of Health

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
84.186	Safe and Drug-Free Schools and Communities-State Grants
93.000	Clinical Laboratory Improvement Amendments
93.000	X-Ray Inspections
93.110	Maternal and Child Health Federal Consolidated Programs
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs
93.130	Primary Care Services-Resource Coordination and Development-Primary Care Offices
93.136	Injury Prevention and Control Research and State and Community Based Programs

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children
93.200	Environmental Health Education Activities for Health Professionals and Communities
93.217	Family Planning-Services
93.234	Traumatic Brain Injury-State Demonstration Grant Program
93.235	Abstinence Education
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement
93.241	State Rural Hospital Flexibility Program
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance
93.590	Community-Based Family Resource and Support Grants
93.643	Children's Justice Grants to States
93.773	Medicare-Hospital Insurance
93.913	Grants to States for Operation of Offices of Rural Health
93.917	HIV Care Formula Grants
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs
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

Department of Human Services

10.550	Food Donation
10.551	Food Stamps
10.555	National School Lunch Program
10.560	State Administrative Expenses for Child Nutrition
10.561	State Administrative Matching Grants for Food Stamp Program
10.568	Emergency Food Assistance Program (Administrative Costs)
10.570	Nutrition Program for the Elderly

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

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 F-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-Training, Research and Discretionary Projects and Programs
93.052	Nation Family Caregiver Support Program
93.556	Promoting Safe and Stable Families
93.558	Temporary Assistance for Needy Families
93.562	Child Support Enforcement ACF
93.563	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
93.585	U Enterprise Community Grant Social Services in Empowerment Zones And Enterprise Communities
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
93.603	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
93.658	Foster Care-Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.669	Child Abuse and Neglect State Grants
93.670	Child Abuse and Neglect Discretionary Activities
93.674	Independent Living
93.994	Maternal and Child Health Services Block Grant to the States
94.011	Foster Grandparent Program

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

Department of Labor

17.005	Compensation and Working Conditions
17.504	Consultation Agreements
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements

Department of Libraries

45.310	State Library Program
84.035	Interlibrary Cooperation and Resource Sharing
84.154	Public Library Construction and Technology Enhancement
89.003	National Historical Publications and Records Grants
94.013	Volunteers in Service to America

Department of Mental Health

00.080	Outcome Based Performance
00.081	Implementation Alcohol/Drug Data Collection
00.084	Substance Abuse Demands & Needs Assessment
00.094	Substance Abuse Demands & Needs Assessment
84.186	Safe and Drug-Free Schools and Communities-State Grants
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services-Technical Assistance Centers for Evaluation
93.125	Mental Health Planning and Demonstration Projects
93.150	Projects for Assistance in Transition from Homelessness (PATH)
93.230	Consolidated Knowledge Development and Application (KD&A) Program
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters-Grants to States and Indian Tribes
93.958	Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.982	Mental Health Disaster Assistance and Emergency Mental Health

Department of Mines

15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
17.600	Mine Health and Safety Grants

Department of Public Safety

16.712	Police Corps
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Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

16.727 Enforcing Underage Drinking Laws Program
20.005 Boating Safety Financial Assistance
20.218 National Motor Carrier Safety
20.600 State and Community Highway Safety

Department of Rehabilitation Services

84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
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 Severe Disabilities
84.265 Rehabilitation Training-State Vocational Rehabilitation Unit In-Service Training
96.001 Social Security-Disability Insurance
96.007 Social Security-Research and Demonstration

Department of Tourism & Recreation

15.000 Private Lands Agreement
15.503 Small Reclamation Projects
15.916 Outdoor Recreation-Acquisition, Development and Planning
20.219 Recreational Trails Program
83.544 Public Assistance Grants

Department of Transportation

20.106 Airport Improvement Program
20.205 Highway Planning and Construction
20.308 Local Rail Freight Assistance
20.509 Formula Grants for Other Than Urbanized Areas

Department of Veterans Affairs

64.005 Grants to States for Construction of State Home Facilities
64.014 Veterans State Domiciliary Care
64.015 Veterans State Nursing Home Care
64.124 All-Volunteer Force Educational Assistance

Department of Wildlife Conservation

15.000 Bureau of Reclamation: McGee Creek Project
15.605 Sport Fish Restoration
15.611 Wildlife Restoration

Schedule of Federal Programs by State Agency

- 15.615 Endangered Species Conservation
- 15.617 Wildlife Conservation and Appreciation-Private Lands Purchase Agreements
- 15.623 North American Wetlands Conservation Fund

District Attorneys Council

- 16.554 National Criminal History Improvement Program (NCHIP)
- 16.575 Crime Victim Assistance
- 16.576 Crime Victim Compensation
- 16.579 Byrne Formula Grant Program
- 16.588 Violence Against Women Formula Grants
- 16.592 Local Law Enforcement Block Grants Program
- 16.593 Residential Substance Abuse Treatment for State Prisoners
- 16.598 State Identification Systems Grant Program

Employment Security Commission

- 17.000 Job Corps
- 17.002 Labor Force Statistics
- 17.203 Labor Certification for Alien Workers
- 17.207 Employment Service
- 17.225 Unemployment Insurance
- 17.235 Senior Community Service Employment Program
- 17.245 Trade Adjustment Assistance-Workers
- 17.246 Employment & Training Assistance-Dislocated Workers
- 17.250 Job Training Partnership Act
- 17.253 Welfare-to-Work Grants to States and Localities
- 17.255 Workforce Investment Act
- 17.801 Disabled Veterans' Outreach Program (DVOP)
- 17.802 Veterans' Employment Program
- 17.804 Local Veterans' Employment Representative Program

Historical Society

- 15.904 Historic Preservation Fund Grants-In-Aid
- 15.922 Native American Graves Protection and Repatriation Act

Legislative Service Bureau

- 16.550 State Justice Statistics Program for Statistical Analysis Centers

Schedule of Federal Programs by State Agency

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

Office of Handicapped Concerns

- 84.161 Rehabilitation Services-Client Assistance Program

Office of Juvenile Affairs

- 16.523 Juvenile Accountability Incentive Block Grants
- 16.540 Juvenile Justice and Delinquency Prevention-Allocation to States
- 16.548 Title V-Delinquency Prevention Program
- 16.549 Part E-State Challenge Activities

Oklahoma Energy Resources Board

- 81.089 Fossil Energy Research and Development

Oklahoma Health Care Authority

- 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
- 93.767 State Children's Insurance Program
- 93.777 State Survey and Certification of Health Care Providers and Suppliers
- 93.778 Medical Assistance Program

Oklahoma Tax Commission

- 20.205 Highway Planning and Construction
- 20.218 National Motor Carrier Safety

State Arts Council

- 45.025 Promotion of the Arts-Partnership Agreements

State Auditor and Inspector

- 11.000 Development of State Policy for Coordination of Economic Development Program
- 15.222 Cooperative Inspection Agreements with States and Tribes

State Bureau of Investigation

- 16.542 National Institute for Juvenile Justice and Delinquency Prevention
- 16.564 Crime Laboratory Improvement-Combined Offender DNA Index System Backlog Reduction

Schedule of Federal Programs by State Agency

Supreme Court

93.586 State Court Improvement Program

Water Resources Board

12.300 Basic and Applied Scientific Research
15.503 Small Reclamation Projects
15.616 Clean Vessel Act
66.000 Other Direct Programs 104 (B)(3)
66.419 Water Pollution Control-State and Interstate Program Support
66.438 Construction Management Assistance
66.454 Water Quality Management Planning
66.458 Capitalization Grants for State Revolving Funds
66.460 Nonpoint Source Implementation Grants
66.461 Wetlands Grants
66.463 Water Quality Cooperative Agreements
66.470 Rural Communities Hardship Grants
66.606 Surveys, Studies, Investigations and Special Purpose Grants
83.550 National Dam Safety Program

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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, 2001

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 6,889,592	\$ 125,082,887	\$ 18,612,960	\$ 26,675,893	\$ 177,261,332
Total Expenditures	5,725,922	244,383,582	19,947,124	30,928,565	300,985,193
Revenues Over (Under) Expenditures	1,163,670	(119,300,695)	(1,334,164)	(4,252,672)	(123,723,861)
Other Financing Sources (Uses)					
Operating Transfers In	261	11,601,249	62,892	3,929,367	15,593,769
Operating Transfers Out	(890,818)	(4,775,245)	(62,892)	(166,758)	(5,895,713)
Bond Proceeds	-	156,103,538	-	-	156,103,538
Total Other Financing Sources (Uses)	(890,557)	162,929,542	-	3,762,609	165,801,594
Revenues and Other Sources Over (Under) Expenditures and Other Uses	273,113	43,628,847	(1,334,164)	(490,063)	42,077,733
Fund Balances - Beginning of Year	4,839,555	234,795,613	14,107,422	4,327,450	258,070,040
Fund Balances - End of Year	\$ 5,112,668	\$ 278,424,460	\$ 12,773,258	\$ 3,837,387	\$ 300,147,773

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2001

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2000					
Ending Fund Balance	\$ 4,839,555	\$ 234,795,613	\$ 14,107,422	\$ 4,327,450	\$ 258,070,040
July 1, 2000					
Beginning Fund Balance	\$ 4,839,555	\$ 234,795,613	\$ 14,107,422	\$ 4,327,450	\$ 258,070,040
Cash Basis Data -					
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
FY 1999 Revenues	6,986,000	645,717,311	20,880,942	22,996,273	696,580,526
FY 1999 Expenditures	6,210,227	438,167,389	15,394,894	19,255,616	479,028,126
FY 1998 Revenues	6,396,227	63,692,512	20,538,199	22,451,143	113,078,081
FY 1998 Expenditures	5,785,483	71,292,827	17,187,171	21,527,611	115,793,092
FY 1997 Revenues	6,123,047	24,022,042	17,489,452	25,355,830	72,990,371
FY 1997 Expenditures	5,362,814	39,294,981	15,371,004	23,259,334	83,288,133
FY 1996 Revenues	6,703,822	47,155,232	16,052,300	19,724,249	89,635,603
FY 1996 Expenditures	4,220,437	21,852,696	12,543,195	18,566,205	57,182,533
FY 1995 Revenues	5,713,661	31,394,457	14,339,833	16,496,199	67,944,150
FY 1995 Expenditures	5,013,298	14,626,471	11,989,994	15,315,789	46,945,552
FY 1994 Revenues	5,050,363	8,151,407	12,818,317	19,552,734	45,572,821
FY 1994 Expenditures	5,825,226	7,132,991	12,960,265	19,494,568	45,413,050
FY 1993 Revenues	5,134,433	7,883,850	12,255,715	18,678,868	43,952,866
FY 1993 Expenditures	7,971,318	7,414,732	10,699,679	19,418,501	45,504,230
FY 1992 Revenues	5,583,903	12,672,569	7,761,708	15,001,714	41,019,894
FY 1992 Expenditures	3,777,252	16,548,230	6,571,045	13,698,305	40,594,832

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2001

Trend Analysis

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2001 Revenue to Prior Years'				
FY00	98.08%	93.12%	88.44%	108.49%
FY99	99.53%	59.70%	89.97%	116.22%
FY98	108.70%	605.24%	91.47%	119.05%
Comparison of FY 2001 Expenditures to Prior Years'				
FY00	124.59%	83.32%	103.14%	105.53%
FY99	104.87%	85.59%	106.54%	119.06%
FY98	112.57%	526.06%	95.43%	106.49%
Revenues expressed as a percent of expenditures				
FY01	106.76%	102.79%	114.54%	116.59%
FY00	135.62%	91.97%	133.58%	113.40%
FY99	112.49%	147.37%	135.64%	119.43%
FY98	110.56%	89.34%	119.50%	104.29%
FY97	114.18%	61.13%	113.78%	109.01%
FY96	158.84%	215.79%	127.98%	106.24%
FY95	113.97%	214.64%	119.60%	107.71%
FY94	86.70%	114.28%	98.90%	100.30%
FY93	64.41%	106.33%	114.54%	96.19%
FY92	147.83%	76.58%	118.12%	109.52%

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