

OKLAHOMA 2002

Single Audit Report For The Fiscal Year Ended June 30, 2002

Prepared by
Office of State Auditor and Inspector

Jeff A. McMahan
State Auditor and Inspector



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 28, 2003

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

Transmitted herewith is the Single Audit Report of the State of Oklahoma for the fiscal year ended June 30, 2002. 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 "Jeff A. McMahan".

Jeff A. McMahan
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***

**To the Honorable Brad Henry, Governor
and Members of the Legislature of the
State of Oklahoma**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 31, 2002, which included emphasis paragraphs on the unfunded actuarial accrued liability of the Teachers' Retirement System. We did not audit:

- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Oklahoma Insurance Department or the Oklahoma Department of Wildlife Conservation which in the aggregate represent eleven percent and one percent, respectively, of the assets and revenues of the governmental activities;
- the financial statements of the Department of Environmental Quality-Drinking Water State Revolving Fund or the outstanding bond issues of the Water Resources Board which in the aggregate represent fifty-five percent and fourteen percent, respectively, of the assets and revenues of the business-type activities;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office, the Oklahoma Department of Commerce, the Oklahoma Insurance Department or the Oklahoma Department of Wildlife Conservation which in the aggregate represent one percent of both the assets and revenues of the general fund;
- the financial statements of the Commissioners of the Land Office permanent fund;
- the financial statements of the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund;
- the financial statements of the Water Resources Board enterprise fund;
- the financial statements of the Oklahoma Firefighter's Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Police Pension and Retirement System, the Oklahoma Public Employee's Retirement System, the Oklahoma Teachers' Retirement System, the Uniform Retirement System for Judges and Justices, or the Oklahoma Department of Wildlife Conservation Retirement Plan which in the aggregate represent ninety-nine percent and ninety-eight percent, respectively, of the assets and revenues/additions of the aggregate remaining fund information.

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned entities, is based on 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 02-345-008, 02-345-013, 02-345-014, 02-345-023, 02-345-024, 02-345-025, 02-345-034.

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 02-345-008, 02-345-013, 02-345-023, 02-345-024, 02-345-025 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,



Jeff A. McMahan
State Auditor and Inspector

December 31, 2002

**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**

**To the Honorable Brad Henry, Governor
and Members of the Legislature of the
State of Oklahoma**

Compliance

We have audited the compliance of the State of Oklahoma with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. 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, or the Department of Environmental Quality, all of which were audited in accordance with the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those programs represent 1.2% 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 the Department of Civil Emergency Management and component units, some of which received federal awards. The Department of Civil Emergency Management and those component units are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2002. Our audit, described below, did not include the operations of these entities because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of Oklahoma's compliance with those requirements.

As described in items 02-580-001 and 02-580-002 in the accompanying schedule of findings, the State of Oklahoma did not comply with the requirement regarding 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 addition, as described in item 02-830-014, we were unable to obtain sufficient documentation supporting the compliance

of the State of Oklahoma with the Low-Income Home Energy Assistance program regarding the reporting requirement, nor were we able to satisfy ourselves as to the State of Oklahoma's compliance with this requirement by other auditing procedures.

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, 2002. 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:

02-452-008	02-265-001	02-265-006	02-265-007	02-265-013	02-265-015
02-805-001	02-805-002	02-805-003	02-805-005	02-805-006	02-805-007
02-805-008	02-650-001	02-580-004	02-340-002	02-807-005	02-290-013
02-290-014	02-290-015	02-345-035	02-345-040	02-830-003	02-830-004
02-830-009	02-830-010	02-830-011	02-830-013	02-830-018	

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:

02-452-003	02-452-004	02-452-005	02-452-006	02-452-007	02-452-008
02-452-009	02-452-012	02-452-013	02-452-015	02-265-001	02-265-006
02-265-007	02-265-013	02-265-015	02-805-001	02-805-002	02-805-003
02-805-005	02-805-006	02-805-007	02-805-008	02-650-001	02-580-001
02-580-002	02-580-004	02-340-002	02-807-005	02-807-006	02-290-013
02-290-014	02-290-015	02-345-013	02-345-014	02-345-023	02-345-024
02-345-034	02-345-035	02-345-038	02-345-040	02-830-004	02-830-009
02-830-010	02-830-011	02-830-013	02-830-018	02-830-020	02-830-021

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 02-580-001, 02-580-002, 02-345-013, 02-345-023, 02-345-024 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, 2002, and have issued our report thereon dated December 31, 2002, which includes identification of the entities whose financial statements were audited by other auditors and an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System. 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:

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,



Jeff A. McMahan
State Auditor and Inspector

March 25, 2003 except as to the Schedule of Expenditures
of Federal Awards, for which the date is December 31, 2002.

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

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Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Agriculture				
Direct Programs:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Agriculture	271,489	
		Boll Weevil Eradication	<u>1,193,000</u>	1,464,489
Forestry Incentives Program	10.064	Department of Agriculture		5,100
Market Protection and Promotion	10.163	Department of Agriculture		79,606
State Mediation Grants	10.435	Department of Agriculture		224,216
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,559,188
Food Distribution	⌘ 10.550	Department of Human Services		18,260,826
Food Stamps	⌘ 10.551	Department of Human Services		268,270,117 ⌘
School Breakfast Program	10.553	Department of Education		26,614,728 ⌘
National School Lunch Program	10.555	Department of Education	81,171,299	
		Department of Human Services	<u>1,159,178</u>	82,330,477 ⌘
Special Milk Program for Children	10.556	Department of Education		59,423 ⌘
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		65,465,642
Child and Adult Care Food Program	10.558	Department of Education		38,964,511 ⌘
Summer Food Service Program for Children	10.559	Department of Education		2,278,207 ⌘
State Administrative Expenses for Child Nutrition	10.560	Department of Education	2,016,314	
		Department of Human Services	<u>276,065</u>	2,292,379
State Administrative Matching Grants for Food Stamp Program	10.561	Department of Human Services		29,760,534 ⌘
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services		404,783
Nutrition Program for the Elderly (Commodities)	10.570	Department of Human Services		2,654,464
Cooperative Forestry Assistance	10.664	Department of Agriculture		2,670,953
Rural Development, Forestry and Communities	10.672	Department of Agriculture		434,817
Soil and Water Conservation	10.902	Conservation Commission		91,794
Subtotal				<u>543,886,254</u>
U.S. Department of Commerce				
Direct Programs:				
Economic Adjustment Assistance	11.307	Department of Commerce		<u>290,000</u>
Subtotal				<u>290,000</u>
U.S. Department of Defense				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		292,999
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		64,445
Basic and Applied Scientific Research	12.300	Water Resources Board		252,405
Cost Reimbursement Contract - National Guard Military Construction	12.400	Oklahoma Military Department		9,482,665
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department		10,469,171
Cost Reimbursements Contract - National Guard Civilian Youth Opportunities Program	12.404	Oklahoma Military Department		2,320,179
Other Federal Assistance - Troops to Teachers	-	Department of Education		<u>106,216</u>
Subtotal				<u>22,988,080</u>
U.S. Drug Enforcement Administration				
Direct Programs:				
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		<u>376,363</u>
Subtotal				<u>376,363</u>

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Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants - State's Program	14.228	Department of Commerce		20,117,445 ♦
Emergency Shelter Grants Program	14.231	Department of Commerce		877,916 ♦
Supportive Housing Program	14.235	Department of Commerce		11,627
Shelter Plus Care	14.238	Department of Commerce	101,494	
		Mental Health and Substance Abuse Services	5,000	106,494
Fair Housing Assistance Program - State's Program	14.401	Human Rights Commission		90,100
Subtotal				21,203,582
U.S. Department of the Interior				
Direct Programs:				
Indian Education - Assistance to Schools	15.130	Department of Education		169,373
Regulation of Surface Coal Mining and Surface				
Effects of Underground Coal Mining	15.250	Department of Mines		982,747
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		1,459,503
Small Reclamation Projects	15.503	Water Resources Board	30,000	
		Department of Tourism and Recreation	246,869	276,869
Reclamation and Water Reuse Programs	15.504	Department of Wildlife Conservation		96,116
Sport Fish Restoration	15.605	Department of Wildlife Conservation		3,605,360 ♦
Wildlife Restoration	15.611	Department of Wildlife Conservation		3,660,425 ♦
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		77,272
Clean Vessel Act	15.616	Water Resources Board		43,978
Wildlife Conservation and Restoration	15.625	Department of Wildlife Conservation		169,444
Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		126,424
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		714,141
Outdoor Recreation - Acquisition, Development				
and Planning	15.916	Department of Tourism and Recreation		94,645
Rivers, Trails and Conservation Assistance	15.921	Historical Society		14,504
Native American Graves Protection and Repatriation	15.922	Historical Society		5,328
Cost Reimbursement Contract - Cooperative				
Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		376,540
Subtotal				11,872,669
U.S. Department of Justice				
Direct Programs:				
State and Local Domestic Preparedness Training	16.008	Department of Corrections		20,425
Juvenile Accountability Incentive Block Grants	16.523	Office of Juvenile Affairs		2,982,384
Juvenile Justice and Delinquency Prevention -				
Allocation to States	16.540	Office of Juvenile Affairs		981,724
National Institute for Juvenile Justice and				
Delinquency Prevention	16.542	State Bureau of Investigation		70,628
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		468,098
Part E - State Challenge Activities	16.549	Office of Juvenile Affairs		83,184
State Justice Statistics Program for Statistical				
Analysis Centers	16.550	Legislative Service Bureau		50,000
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		332,353
National Institute of Justice Crime Laboratory				
Improvement Program	16.564	State Bureau of Investigation		199,760
Crime Victim Assistance	16.575	District Attorneys Council		4,604,208
Crime Victim Compensation	16.576	District Attorneys Council		530,724
Byrne Formula Grant Program	16.579	District Attorneys Council		5,442,361
Violent Offender Incarceration and Truth				
in Sentencing Incentive Grants	16.586	Department of Corrections		47,924
Violence Against Women Formula Grants	16.588	District Attorneys Council		1,604,296
Local Law Enforcement Block Grants Program	16.592	District Attorneys Council		579,102
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		1,325,246
State Criminal Alien Assistance Program	16.606	Department of Corrections		754,533
Police Corps	16.712	Department of Public Safety		577,311
Enforcing Underage Drinking Laws Program	16.727	Department of Public Safety		435,457
Cost Reimbursement Contract - Public Safety				
Partnership and Community Policing	16.710	State Bureau of Investigation		885,814
Subtotal				21,975,532

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Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

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		1,051,192
Compensation and Working Conditions Data	17.005	Department of Labor		82,575
Labor Certification for Alien Workers	17.203	Employment Security Commission		283,127
Employment Service	17.207	Employment Security Commission		9,187,534
Unemployment Insurance	17.225	Employment Security Commission		288,237,340
Senior Community Service Employment Program	17.235	Employment Security Commission		1,311,792
Trade Adjustment Assistance - Workers	17.245	Employment Security Commission		749,341
Employment Services and Job Training - Pilot and Demonstration Programs	17.249	Department of Career & Technology Education		1,504,185
Welfare-to-Work Grants to States and Localities	17.253	Employment Security Commission		3,951,385
Workforce Investment Act - Adults	17.258	Employment Security Commission		10,018,266
Workforce Investment Act - Youth	17.259	Employment Security Commission		10,445,393
Workforce Investment Act - Dislocated Workers	17.260	Employment Security Commission		7,242,317
Consultation Agreements	17.504	Department of Labor		1,041,945
Mine Health and Safety Grants	17.600	Department of Mines		142,310
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission		900,247
Local Veterans' Employment Representative Program	17.804	Employment Security Commission		1,761,450
Cost Reimbursement Contract - Job Corps	-	Employment Security Commission		484,524
Subtotal				338,394,923
U.S. Department of Transportation				
Direct Programs:				
Boating Safety Financial Assistance	20.005	Department of Public Safety		1,004,459
Airport Improvement Program	20.106	Department of Transportation		893,675
Highway Planning and Construction	20.205	Department of Transportation		334,836,399
National Motor Carrier Safety	20.218	Department of Public Safety		2,608,362
Recreational Trails Program	20.219	Department of Tourism and Recreation		479,292
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation		6,166,410
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		1,048,721
State and Community Highway Safety	20.600	Department of Public Safety		3,123,818
Cost Reimbursement Contract - Pipeline Safety	20.700	Corporation Commission		495,635
Subtotal				350,656,771
Equal Employment Opportunity Commission				
Direct Programs:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	Human Rights Commission		177,885
Subtotal				177,885
General Services Administration				
Direct Programs:				
Donation of Federal Surplus Personal Property	39.003	Department of Central Services		4,017,920
Other Federal Assistance - Centennial Commemoration	-	Capitol Complex and Centennial Commission		304,597
Subtotal				4,322,517
National Aeronautics and Space Administration				
Direct Programs:				
Other Federal Assistance - NASA Education Grant	-	Space Industry Development Authority		134,898
Subtotal				134,898
National Foundation on the Arts and the Humanities				
Direct Programs:				
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		530,300
Promotion of the Humanities - Division of Preservation and Access	45.149	Historical Society		11,854
State Library Program	45.310	Department of Libraries		1,831,008
Subtotal				2,373,162

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Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	State
Small Business Administration				
Direct Programs:				
Congressional - Special Initiative	59.000	Department of Career & Technology Education		225,378
Cost Reimbursement Contract - Business Development Assistance to Small Business	59.005	Center for Advancement of Science and Technology		89,951
Subtotal				315,329
U.S. Department of Veterans Affairs				
Direct Programs:				
Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		12,549,979
Veterans State Domiciliary Care	64.014	Department of Veterans Affairs		115,111
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		21,807,777
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		278,116
Subtotal				34,750,983
U.S. Environmental Protection Agency				
Direct Programs:				
Water Pollution Control - State and Interstate Program Support	66.419	Water Resources Board		1,416,146
State Underground Water Source Protection	66.433	Corporation Commission		318,100
Water Quality Management Planning	66.454	Water Resources Board		98,074
Capitalization Grants for State Revolving Funds	66.458	Water Resources Board		14,716,995
Nonpoint Source Implementation Grants	66.460	Water Resources Board		1,604,574
Wetlands Protection - Development Grants	66.461	Water Resources Board		269,691
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality		7,030,383
Rural Communities Hardship Grants Program	66.470	Water Resources Board		92,529
Performance Partnership Grants	66.605	Department of Environmental Quality		4,593,068
Surveys, Studies, Investigations and Special Purpose Grants	66.606	Department of Environmental Quality	396,164	
		Water Resources Board	593,130	989,294
One Stop Reporting	66.608	Department of Environmental Quality		18,332
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	Department of Agriculture		635,544
Toxic Substances Compliance Monitoring	66.701	Department of Environmental Quality	133,542	
		Department of Labor	107,386	240,928
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		21,509
Hazardous Waste Management State Program Support	66.801	Department of Environmental Quality		70,342
Superfund State Site - Specific Cooperative Agreements	66.802	Department of Environmental Quality		3,284,798
State Underground Storage Tanks Program	66.804	Corporation Commission		187,500
Leaking Underground Storage Tank Trust Fund Program	66.805	Corporation Commission		730,330
Solid Waste Management Assistance	66.808	Department of Environmental Quality		13,050
Subtotal				36,331,187
U.S. Department of Energy				
Direct Programs:				
State Energy Program	81.041	Department of Commerce		859,189
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce		2,060,776
Fossil Energy Research and Development	81.089	Energy Resources Board		32,320
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Tech Analysis	81.117			36,752
State Energy Program - Special Projects	81.119			79,296
Subtotal				3,068,333
Federal Emergency Management Agency				
Direct Programs:				
Crisis Counseling	83.539	Mental Health and Substance Abuse Services		27,131
Public Assistance Grants	83.544	Department of Tourism and Recreation		136,922
National Dam Safety Program	83.550	Water Resources Board		87,344
Subtotal				251,397

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

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		5,459,936
Title I Grants to Local Educational Agencies	84.010	Department of Education		100,494,821 ✱
Migrant Education - Basic State Grant Program	84.011	Department of Education		2,671,843
Title I Program for Neglected and Delinquent Children	84.013	Department of Education		251,550
Special Education - Grants to States	84.027	Department of Education		79,324,757 ✱
Vocational Education - Basic Grants to States	84.048	Department of Career & Technology Education		17,040,729
National Vocational Education Research	84.051	Department of Career & Technology Education		988,952
Fund for the Improvement of Postsecondary Education	84.116	Department of Career & Technology Education		369,602
Rehabilitation Services - Vocational				
Rehabilitation Grants to States	84.126	Department of Rehabilitation Services		39,950,269 ✱
Public Library Construction LSCA Title II	84.154	Department of Libraries		38,000
Secondary Education and Transitional Services				
for Youth with Disabilities	84.158	Department of Education		335,668
Rehabilitation Services - Client Assistance Program	84.161	Office of Handicapped Concerns		102,547
Immigrant Education	84.162	Department of Education		339,808
Independent Living - State Grants	84.169	Department of Rehabilitation Services		379,706
Special Education - Preschool Grants	84.173	Department of Education		2,997,381 ✱
Rehabilitation Services - Independent Living Services				
for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services		201,975
Special Education - Grants for Infants and				
Families with Disabilities	84.181	Department of Education		4,014,218
Byrd Honors Scholarships	84.185	Department of Education		455,250
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	4,294,476	
		Department of Health	1,157,327	
		Mental Health and Substance Abuse Services	8,775	5,460,578
Supported Employment Services for Individuals				
with Severe Disabilities	84.187	Department of Rehabilitation Services		421,562
Bilingual Education Support Services	84.194	Department of Education		265,700
Education for Homeless Children and Youth	84.196	Department of Education		404,975
Even Start - State Educational Agencies	84.213	Department of Education		2,347,639
Fund for the Improvement of Education	84.215	Department of Education		258,896
Capital Expenses	84.216	Department of Education		4,585
Tech-Prep Education	84.243	Department of Career & Technology Education		1,747,653
Rehabilitation Training - State Vocational				
Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		80,208
Eisenhower Professional Development State Grants	84.281	Department of Education		4,785,577
Charter Schools	84.282	Department of Education		1,605,779
Innovative Education Program Strategies	84.298	Department of Education		4,778,822
Technology Innovation Challenge Grants	84.303	Department of Education		139,317
Technology Literacy Challenge Fund Grants	84.318	Department of Education		5,140,579
Special Education - State Program Improvement				
Grants for Children with Disabilities	84.323	Department of Education		394,627
Technical Assistance and Dissemination to Improve				
Services and Results for Children with Disabilities	84.326	Department of Education		452,883
Advanced Placement Incentive Program	84.330	Department of Education		38,067
Grants to States for Incarcerated Youth Offenders	84.331	Department of Corrections		238,329
Comprehensive School Reform Demonstration	84.332	Department of Education		3,064,056
Reading Excellence	84.338	Department of Education		2,477,075
Class Size Reduction	84.340	Department of Education		18,376,380
Occupational and Employment Information State Grants	84.346	Department of Career & Technology Education		111,951
Title I Accountability Grants	84.348	Department of Education		1,229,800
School Renovation Grants	84.352	Department of Education		1,573,806
Subtotal				310,815,856

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

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		1,954
Subtotal				1,954
U.S. Department of Health and Human Services				
Direct Programs:				
Public Health and Social Services Emergency Fund	93.003	State Department of Health		48,642
Special Programs for the Aging - Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Department of Human Services		85,200
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		209,678
Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		283,658
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services		5,038,690
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services		10,210,062
Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	93.048	Insurance Department		200,864
National Family Caregiver Support Program	93.052	Department of Human Services		1,307,764
Grants for Residential Treatment Programs for Pregnant and Postpartum Women	93.101	Department of Agriculture		5,000
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		186,428
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		865,294
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		151,032
Primary Care Services - Resource Coordination and Development Primary Care Offices	93.130	State Department of Health		106,334
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		967,155
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		299,879
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		315,906
Program to Build Capacity to Conduct Site Specific Activities	93.200	State Department of Health		243,044
Family Planning - Services	93.217	State Department of Health		4,151,223
Consolidated Knowledge Development and Application Program	93.230	Mental Health and Substance Abuse Services		2,291,155
Traumatic Brain Injury	93.234	State Department of Health		130,333
Abstinence Education	93.235	State Department of Health		632,379
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	State Department of Health Mental Health and Substance Abuse Services	17,105 162,990	180,095
State Rural Hospital Flexibility Program	93.241	State Department of Health		955,189
Universal Newborn Hearing Screening	93.251	State Department of Health		71,890
Immunization Grants	❖ 93.268	State Department of Health		18,388,637
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	State Department of Health		3,410,555
Promoting Safe and Stable Families	93.556	Department of Human Services		5,891,403
Temporary Assistance for Needy Families	93.558	Department of Human Services		62,419,766
Child Support Enforcement	93.563	Department of Human Services		35,334,650
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		652,117
Low-Income Home Energy Assistance	93.568	Department of Human Services		7,684,854
Community Services Block Grant	93.569	Department of Commerce		7,522,329
Community Services Block Grant Discretionary Awards - Community Food and Nutrition	93.571	Department of Commerce		40,383

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Child Care and Development Block Grant	93.575	Department of Human Services		94,246,055 ☼
Refugee and Entrant Assistance - Discretionary Grants	93.576	Department of Education		50,996
Empowerment Zones Program	93.585	Department of Commerce	107,969	
		Department of Human Services	85,000	192,969
State Court Improvement Program	93.586	Supreme Court		86,930
Community-Based Family Resource and Support Grants	93.590	State Department of Health		695,357
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services		39,611,862 ☼
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		47,219
Head Start	93.600	Department of Commerce		154,863
Adoption Incentive Payments	93.603	Department of Human Services		1,370,306
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		1,113,459
Children's Justice Grants to States	93.643	Department of Human Services		87,692
Child Welfare Services - State Grants	93.645	Department of Human Services		2,566,726
Foster Care - Title IV-E	93.658	Department of Human Services		28,464,699 ☼
Adoption Assistance	93.659	Department of Human Services		15,473,523 ☼
Social Services Block Grant	93.667	Department of Human Services		20,856,287 ☼
Child Abuse and Neglect State Grants	93.669	Department of Human Services		334,597
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		1,193,779
Independent Living	93.674	Department of Human Services		1,833,413
State Children's Insurance Program	93.767	Health Care Authority		23,958,757
Medicare - Hospital Insurance	93.773	State Department of Health		4,015,807
State Medicaid Fraud Control Units	93.775	Attorney General		852,648 ☼
State Survey and Certification of Health Care Providers and Suppliers	93.777	Health Care Authority		3,277,596 ☼
Medical Assistance Program	93.778	Health Care Authority		1,572,662,382 ☼
Health Care Research, Demonstrations and Evaluations	93.779	Insurance Department	276,515	
		Department of Human Services	80,148	356,663
Grants to States for Operation of Offices of Rural Health	93.913	State Department of Health		(309,708)
HIV Care Formula Grants	93.917	State Department of Health		5,226,275
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	State Department of Health		1,227,013
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		311,372
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		2,731,591
Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		306,471
Racial and Ethnic Approaches to Community Health 2010	93.945	State Department of Health		1,502,245
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		4,217,271
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		15,819,447 ☼
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,201,681
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	State Department of Health		307,647
Preventive Health and Health Services Block Grant	93.991	State Department of Health		1,574,784
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health	5,684,189	
		Department of Human Services	3,248,512	8,932,701
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		52,064
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		200,683
Cost Reimbursement Contract - Implementation of Uniform Alcohol and Drug Abuse Data Collection Systems	-	Mental Health and Substance Abuse Services		75,570
Cost Reimbursement Contract - State Treatment Needs Assessment Studies: Alcohol and Other Drugs	-	Mental Health and Substance Abuse Services		136,864
Subtotal				2,027,300,144

OKLAHOMA

Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Corporation for National and Community Service				
Direct Programs:				
Learn and Serve America - School and Community				
Based Programs	94.004	Department of Education		502,912
Learn and Serve America - Higher Education	94.005	Department of Education		404,850
Planning and Program Development Grants	94.007	Mental Health and Substance Abuse Services		7,311
Foster Grandparent Program	94.011	Department of Human Services		365,263
Volunteers in Service to America	94.013	Department of Education	1,725	
		Department of Libraries	4,110	5,835
Cost Reimbursement Contract - Americorps	94.006	Department of Tourism and Recreation		32,509
Subtotal				1,318,680
Social Security Administration				
Direct Programs:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services		15,419,267
Social Security - Research and Demonstration	96.007	Department of Rehabilitation Services		404,747
Subtotal				15,824,014
Total Federal Assistance			\$	3,748,630,513
⌘ 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

For the Fiscal Year Ended June 30, 2002

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. With the exception of the Oklahoma Department of Civil Emergency Management, the reporting entity includes the primary government of the State of Oklahoma as presented in the Comprehensive Annual Financial Report (CAFR). The Oklahoma Department of Civil Emergency Management and component units included in the CAFR prepare individual financial statements that meet the requirements of OMB Circular A-133, and have not been included in the Schedule. OMB Circular A-133 allows non-Federal entities to meet the audit requirements of the Circular through a series of audits that cover the reporting entity.

B. Basis of Presentation

The Schedule presents expenditures and expenses for the fiscal year ended June 30, 2002. The Schedule reports total federal award expenditures and expenses for each federal program as identified in the *Catalog of Federal Domestic Assistance (CFDA)*. Federal awards without identified CFDA numbers have been identified as "Other Federal Assistance".

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

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

The scope of the Schedule includes expenditures and expenses of federal assistance directly received by state primary recipients. With reference to the primary government, the primary recipient expenditures are not adjusted for subrecipient state agency expenditures. 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. The Department of Environmental Quality (CFDA 66.468) a primary government enterprise fund, and the Wildlife Conservation Commission, a governmental fund, use the accrual basis of accounting that recognizes expenditures when incurred.

Note 2. Petroleum Violation Escrow Funds

Petroleum Violation Escrow (PVE) funds received by the State as restitution relative to litigation involving violations of federal price controls are not federal funds and therefore are not included in the Schedule. However, certain PVE funds were made subject to OMB Circular A-133 by the terms of federal legislation, or by court orders. Those PVE funds subject to OMB Circular A-133, and included within the scope of our audit, were utilized in the following programs during fiscal year 2002:

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

Note 3. State Unemployment Insurance Fund

Expenditures for unemployment insurance (CFDA 17.225) include state unemployment insurance (UI) funds as well as federal UI funds. The state portion of UI funds amounted to \$234,626,668. The federal portion of UI funds amounted to \$53,610,672.

Note 4. Federally Funded Loan Programs

The Water Resources Board (WRB) administers the Oklahoma Clean Water Facility Construction Revolving Loan Account Program. The program had loans outstanding of \$139,410,080 at June 30, 2002. 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 2002, the WRB withdrew federal funds in the amount of \$14,716,995. These funds were used for disbursements on loans originated. Administration expenses funded with federal funds for fiscal year 2002 were \$-0-.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$20,759,216 at June 30, 2002. 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 2002, the ODEQ withdrew federal funds in the amount of \$5,312,343. Of these funds, \$5,312,343 was used for disbursements on loans originated.

Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2002, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$17,339,634 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.

Notes to the Schedule of Expenditures of Federal Awards

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$4,957,000 were in suspense at June 30, 2002, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 85 percent or \$3,907,000 will be considered available.

Note 6. Audits Provided by Auditors Other Than Principal Auditor

Audits provided by auditors other than the principal auditor include:

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

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

Note 7. Department of 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 \$48,777,770 of the soft match provision for projects billed during fiscal year 2002. 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 2002 Schedule 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 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?no

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 and
Low-Income Home Energy Assistance which
were qualified

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

Dollar threshold used to distinguish between
type A and type B programs: \$11,180,649

Auditee qualified as low-risk auditee?no

Identification of Major Programs:

	<u>Program and CFDA Number</u>	<u>State Agency</u>
Food Stamps Cluster	10.551 Food Stamps	Department of Human Services
	10.561 State Administrative Matching Grants for Food Stamp Program	
Child Nutrition Cluster	10.553 School Breakfast Program	Department of Education
	10.555 National School Lunch Program	Department of Human Services
	10.556 Special Milk Program for Children	
	10.559 Summer Food Service Program for Children	
	10.558 Child and Adult Care Food Program	Department of Education
	14.228 Community Development Block Grant	Department of Commerce
	14.231 Emergency Shelter Grant Program	Department of Commerce

	<u>Program and CFDA Number</u>	<u>State Agency</u>
Fish and Wildlife Cluster	15.605 Sport Fish Restoration 15.611 Wildlife Restoration	Wildlife Conservation Commission
Employment Services Cluster	17.207 Employment Service 17.801 Disables Veterans Outreach Program 17.804 Local Veterans Employment Representative Program	Employment Security Commission
	17.253 Welfare to Work Grants to States and Localities	Employment Security Commission
WIA Cluster	17.258 WIA Adult Programs 17.259 WIA Youth Activities 17.260 WIA Dislocated Workers	Employment Security Commission
	20.205 Highway Planning and Construction	Department of Transportation
	39.003 Donation of Federal Surplus Personal Property	Department of Central Services
	64.055 Grants to States for Construction of State Home Facilities	Department of Veterans Affairs
	66.468 Drinking Water State Revolving Fund Program	Department of Environmental Quality
	81.041 State Energy Program	Department of Commerce
	81.042 Weatherization Assistance of Low-Income Persons	Department of Commerce
	84.010 Title 1 Grants to Local Educational Agencies	Department of Education
Special Education Cluster	84.027 Special Education-Grants to States 84.173 Special Education-Preschool Grants	Department of Education
	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States	Department of Rehabilitation Services
	93.558 Temporary Assistance for Needy Families	Department of Human Services
	93.563 Child Support Enforcement	Department of Human Services
	93.568 Low Income Home Energy Assistance	Department of Human Services
	93.569 Community Services Block Grant	Department of Commerce
Child Care Cluster	93.575 Child Care and Development Block Grant 93.596 Child Care Mandatory and Matching Funds of CCDF	Department of Human Services
	93.658 Foster Care, Title IV-E	Department of Human Services
	93.659 Adoption Assistance	Department of Human Services
	93.667 Social Services Block Grant	Department of Human Services
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	Health Care Authority Attorney General
	93.959 Block Grants for Prevention and Treatment of Substance Abuse	Department of Mental Health and Substance Abuse Services

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

Department of Transportation

REF NO: 02-345-008

STATE AGENCY: Department of Transportation

Criteria: The control environment is the basis for the other components of internal control. It directs the organization's control, composition, and influences the awareness of its people.

Misstatements arising from fraudulent financial reporting is a risk factor that results from management's attitude and influence over the control environment. Management's failure to display and communicate an appropriate attitude regarding internal control and the financial reporting process, failure to correct known reportable conditions timely, and inadequate monitoring of internal controls directly affects the organizations tone and the consciousness of its people.

In addition, a basic objective of Governmental Generally Accepted Accounting Principles is to provide accurate and reliable information.

Condition: Funds are not being reconciled in a timely manner. Corrections and adjustments as a result of reconciling items are not being made timely and accurately.

- Fund 200A had reconciling items totaling \$62.43 that have been uncorrected for approximately 18 to 33 months. Total reconciling items for the fund were \$62.43.
- Fund 210R had reconciling items totaling \$180.46 that have been uncorrected for approximately 20 months. Total reconciling items for the fund were \$180.46
- Fund 250C had reconciling items totaling \$686,014.91 that have been uncorrected for approximately 12 to 18 months. Total reconciling items for the fund were \$692,066.02.
- Fund 310H has not been reconciled since 1998. A partial reconciliation through June 30, 2002 was performed on December 4, 2002. Uncorrected reconciling items totaling \$21,833,239.06 and an unidentified variance of \$1,151,738.25 were present.
- Fund 340C had reconciling items totaling \$684,997.72 that have been uncorrected for approximately 32 months. Total reconciling items for the fund were \$17,731,186.19.

Cause: Complete corrective action has not implemented by management for this condition, which has been present and reported to management since fiscal year 1998, or five fiscal years.

Effect: Management's failure to correct known reportable conditions on a timely basis directly influences the control environment of the organization.

Recommendation: We recommend the Department perform fund reconciliations for all funds through the current date and then implement procedures to ensure that fund reconciliations are performed for all funds on a monthly basis. We further recommend that all corrections noted during the reconciliation process be made to accounting records when identified.

Management's Corrective Action Plan

Contact Person: Kathleen Croy

Anticipated Completion Date: June 30, 2003

Corrective Action Planned: We agree with the auditors recommendation. The Department is current with its reconciliations for all funds; except 310 allotment which will be reconciled through May 2003 by June 30, 2003. All reconciling items will be corrected by June 30, 2003.

Schedule of Findings

Financial Statement Findings

(Internal Control and Compliance)

REF NO: 02-345-013

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: The process of transferring project costing information from the TRNS*Port system (used in District offices to track project cost and percentage of completion information) to FMS (Financial Management System) is manual.

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 develop an automated process of transferring the information from the TRNS*port system to the FMS with procedures that include controls to ensure:

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

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date:

Corrective Action Planned: Members of the Programming Branch of the Information Services Division have been working towards developing an automated transfer process with Comptroller Division and with CAS software. Analysis of data formats from within TRNS*Port as they compare to the current FMS system is on-going. Test data will be solicited to populate tables to verify that all data has been accounted for. This process is expected to be completed by August 2003.

REF NO: 02-345-014

STATE AGENCY: Department of Transportation

Criteria: According to the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT) Acquisition and Implementation objective #6, management should ensure that change management and software control and distribution are properly integrated with a comprehensive configuration management system. The system should be automated to support the recording and tracking of changes made to large, complex information system.

Condition: The Department's change control process for the FMS System is not integrated with the system. The current procedures consist of manual recording of users requests that is updated with completion date by the programmers once the task is completed. The implemented changes are not reviewed, approved or verified by management via the system. The current change management process does not effectively verify that only authorized changes are made to data and program files. There is no tracking of changes made to the files and matched back to a request. No user acceptance and approval of requested changes are formally documented.

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(Internal Control and Compliance)

Effect: Increase risk of inaccurate federal funds billing and reporting as well as inaccuracies in other financial data. Weak internal control structure. Data could be lost or altered during the process and may not be discovered and corrected. Unauthorized program changes may be implemented into production.

Recommendation: We recommend Department of Transportation develop a change management system which provides for the analysis, implementation and follow-up of all changes requested and made to the existing IT infrastructure and takes into consideration:

- Identification of changes
- Categorization, prioritization and emergency procedures
- Impact assessment
- Change authorization
- Release management
- Software distribution
- Use of automated tools
- Configuration management
- Business process redesign

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date:

Corrective Action Planned: The FMS change control process is usually requested by the user and modifications are made to the system only at user request. These changes are only accepted when authorized by proper ISD authoritative levels. These modifications are trackable to the requesting user through proper or electronic correspondence, and also to the programmer performing the changes (when authorized to do so by ISD management) through comments placed into the file indicating tracking number, change made, programmer making change, and date the change(s) was made. Upon completion, the programmer notifies the Asst. Division Manager that the request was completed. The manager then updates the control log appropriately.

The capability of the current system does not allow for this process to be integrated automatically. However, to make a good faith effort to comply with the recommendations of this finding, ISD will modify its process and have the Asst. Division Manager also notify the Division Engineer that a change request has been completed and details of any changes made. This should complete the tracking circle and increase the security levels authorizing the changes. It will also verify the type of changes made and ensure that no security issues exist.

REF NO: 02-345-023 (Repeat Finding)

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.

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(Internal Control and Compliance)

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:

Corrective Action Planned: Manpower constraints do not allow the ISD to specifically segregate duties within each of the supported systems. ISD responds to requests for changes in these systems through chain of command. A log of requests and actions is kept by ISD documenting these changes. Weekly reconciliation provides the opportunity to examine the systems at this level.

REF NO: 02-345-024 (Repeat Finding)

STATE AGENCY: Department of Transportation

Criteria: The Information Systems Audit and Control Associations, 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. Information Services Division does not have written policies and procedures for setting up new users.
2. 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 information. 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

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- 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: 4/1/03

Corrective Action Planned:

1. Unwritten procedures do exist for user set-ups. Documentation requesting user Ids and set-ups are received via e-mail and are retained either in electronic form or hard copy. A change control number is assigned for job assignment and tracking the status and completion of the task. The requesting manager is informed when the set-up is complete.
2. ISD will request appropriate Divisions to review their access to verify that employee access is commensurate with job duties/descriptions annually. The first access list will be provided to Divisions by 4/1/03 for their review.

REF NO: 02-345-025

STATE AGENCY: Department of Transportation

Criteria: Basic objectives of governmental generally accepted accounting principles are to provide for accurate and reliable information.

Condition: While performing tests of controls for project coding within the Project Funding System, we noted the following:

- For 150 projects selected for testing, 69 projects were coded with a work code in the Project Funding System that did not agree to support documentation in the project file. This resulted in a 46% error rate.
- 10 out of 150 projects were coded with a project type code in the Project Funding System that did not agree to support documentation in the project file. This resulted in a 6.67% error rate.
- 7 of 150 projects did not have adequate source documentation in which to make a determination of the proper coding for the project. This resulted in a 4.67% error rate.
- Two (2) projects out of 150 tested were included in infrastructure inappropriately. The support documentation in the project file did not agree to the coding of the project in the Project Funding System.

Effect: The Department's accounting records do not reflect the accurate information as contained in the project files. The infrastructure account is overstated.

Recommendation: We recommend the Department develop and implement policies and procedures to ensure the project coding agrees to support documentation in the project files. We also recommend the Department ensure its employees understand how their activities in the financial reporting information system relate to the work of others.

Management's Corrective Action Plan

Contact Person: Chelley VanWinkle

Anticipated Completion Date: June 30, 2003

Corrective Action Planned: The Comptroller Division will meet with the Programs Division and the Office Engineer Division to inform each division of the impact on the financial statements and to

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(Internal Control and Compliance)

emphasize the importance of accurately assigning the work code and project type with the nature of the project.

REF NO: 02-345-034

STATE AGENCY: Department of Transportation

Criteria: 67 O.S. 2001 § 206.A., states, in part:

The head of each agency shall...Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities...

Condition: The Department does not have written procedures defining work to be performed in field divisions and in the comptroller division.

Effect: Each field division maintains records differently. Based on our observation, there was no consistency between divisions in the format of information maintained, layout of project files, naming of files, filing methodologies used, and location of records. Employees responsible for auditing project files did not maintain documentation of their review in a consistent format between field divisions. Some employees do not appear to have a full understanding of assigned tasks. The Department cannot be assured that employees are performing tasks as assigned and intended.

Recommendation: We recommend the Department develop procedures for the comptroller and field divisions regarding work to be performed, employee tasks and responsibilities, which would result in a more uniform and consistent documentation of transactions.

Management's Corrective Action Plan

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

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: The department will develop consistency in construction and documentation of project files that are located throughout ODOT. Because the various work units

maintain a "working" project file, which may be used to develop the permanent file upon completion of the project, no effort will be made to construct a central file process.

Schedule of Findings Federal Award Findings And Questioned Costs

Note: Findings are presented alphabetically by state agency.

Department of Central Services

REF NO: 02-580-001

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 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 the property.... 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. This decentralization does not allow specific items requested by each donee to be identified.

Effect: The requirement for fair and equitable distribution may not be met.

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: Tom Hall

Anticipated Completion Date: Program in place mid-December, 2002.

Corrective Action Planned: In mid-December, 2002, the program instituted a donee “wish list” program. The program allows donees to request property that a donee specifically desires. Program screeners search for requested property through the GSA database. Upon discovery, a screener “freezes” the property and notifies the requesting donee of property availability. For a donee that wants the property, after allocation, the program makes arrangements to retrieve or cause delivery of the property for the donee.

The program issues a weekly donee e-mail newsletter, which references the “wish list” program. Recently, the program submitted an article, which was published in a monthly publication directed to state agency procurement officials. In addition, program staff has met with several legislators in an effort to make the “wish list” program better known.

The system the program currently employs to administer the “wish list” program is paper based. Future plans may include transfer to an electronic database process. Ideally, the program could employ a web-enabled computer application to streamline request processes. Such a program would require an increase in program income.

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REF NO: 02-580-002

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: 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 does not comply with the State Plan of Operation with regard to service charges and handling fees.

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

Management’s Corrective Action Plan

Contact Person: Tom Hall

Anticipated Completion Date: Mid December, 2002

Corrective Action Planned: The Department of Central Services offers the following facts regarding this recommendation. The State Plan of Operation is an obsolete document implemented over 10 years ago. Since that time, GSA implemented numerous amendments to CFR’s and supporting documents that render the State Plan of little value. Over two years ago, the Department submitted a revised plan for GSA review. A few weeks ago, the Department received notice from GSA that it plans to commence a review of the submission in the near future. In subsequent discussions, GSA officials note revisions the Department must make to the submission to make it conform to current GSA requirements. For these reasons, the Department does not agree with the recommendation to adhere to the current state plan.

With regards to the issue of “Condition” it is unreasonable to expect that given the thousands of diverse items the program receives, that it can assess an exact cost to a specific item. The program is able to more closely approximate the cost of large items, including vehicles and equipment, since the allocation consists of one or a few like items. When the program receives allocations that involve hundreds or thousands of dissimilar items, the expectation the “Condition” discusses becomes unreasonable.

The program strives to price similar items at similar prices. Since mid-December, the program will not lower a price for a donee and subsequently charge another donee a higher price. This method provides price equity for donees, which the program considers its primary goal.

The corrective action plan the Department proposes is to adhere to current GSA requirements in spite of whether the provisions of the current **approved** State Plan conform.

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REF NO: 02-580-004
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: Allowable Costs/Cost Principles
QUESTIONED COSTS: \$-0-

Criteria: The Department of Central Service's **approved** state plan of operation for surplus property Part V Financing and Service Charges states in part:

...The State Agency will re-evaluate operational expenses annually and, in the event of an excess in the working capital reserve, service and handling charges will be discounted to all donees until such excess is depleted.

Condition: During our documentation of internal controls, management indicated that if an excess in working capital (fund 210 cash balance minus operational expenses) were to exist, the excess would be deposited into the Cash Management Investment Account at the Office of the State Treasurer. Management states the balance of the investment account was approximately \$553,102 on July 1, 2001 and approximately \$691,559 on June 30, 2002.

Effect: The Department is not in compliance with its approved state plan of operation.

Recommendation: We recommend the Department follow their state plan of operation.

Management's Corrective Action Plan

Contact Person: Tom Hall

Anticipated Completion Date:

Corrective Action Planned: The Department of Central Services offers the following facts regarding this recommendation. The State Plan of Operation is an obsolete document implemented over 10 years ago. Since that time, GSA implemented numerous amendments to CFR's and supporting documents that render the State Plan of little value. Over two years ago, the Department submitted a revised plan for GSA review. In January 2003, the Department received notice from GSA that it plans to commence a review of the submission in the near future. In subsequent discussions, GSA officials note revisions the Department must make to the submission to make it conform to current GSA requirements. For these reasons, the Department does not agree with the recommendation to adhere to the current state plan.

With regard to the "Condition" the Department believes that it adheres to current GSA regulations regarding investment of program funds.

The corrective action plan the Department proposes is to adhere to current GSA requirements in spite of whether the provisions of the current **approved** State Plan conform.

Auditor Response: 41CFR 101-44.202 (5) states in part "...The plan of operation shall set forth how funds accumulated from service charges, or from other sources...are to be used for the operation of the State agency and the benefit of the participating donees. Service charge funds may be used to...maintain a reasonable working capital reserve. Such funds may be deposited or invested as permitted by State law, provided the **plan of operation** (emphasis added) sets forth the types of depositories and/or investments contemplated."

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While the CFR allows the State agency to invest funds received, it specifically states the plan of operation shall specify how the funds would be invested.

Department of Education

REF NO: 02-265-001

STATE AGENCY: Department of Education

FEDERAL AGENCY: Department of Education, Department of Agriculture

CFDA NO: 10.553; 10.555; 10.556; 10.558; 10.559; 84.010; 84.027; 84.173

FEDERAL PROGRAM NAME: School Breakfast Program; National School Lunch Program; Special Milk Program for Children; Child and Adult Care Food Program; Summer Food Service Program for Children; Title 1 Grants to Local Education Agencies; Special Education: Grants to States; Special Education: Preschool Grants

FEDERAL AWARD NUMBER: 5OK300329; 6OK300329; 5OK300349; 6OK300349; S010A000036A; H027A000051; H173A000084

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$-0-

Criteria: According to Statement of Position 98-3 *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, Section 2.2, "Entities that expend \$300,000 or more in a fiscal year in federal awards are subject to the Single Audit Act and Circular A-133 and, therefore, must have a single or program-specific audit.

Condition: Based upon our documentation and review of the internal controls related to monitoring subrecipient compliance with OMB Circular A-133 audit requirements, we determined the process communicated to our office was not being followed. As a result, it appears 40 school districts failed to submit the required single audit.

Effect: It appears 40 school districts are not in compliance with the requirements of the Single Audit Act and OMB Circular A-133.

Recommendation: We recommend the Department follow established procedures to ensure subrecipients are complying with the requirements of the Single Audit Act and OMB Circular A-133.

Management's Corrective Action Plan

Contact Person: Lu Norman

Anticipated Completion Date: March 1, 2003

Corrective Action Planned: The Financial Accounting Office maintains two files on the expenditures from the school districts. One file is derived from the Oklahoma Cost Accounting System Data and lists the funds as recorded by the schools on federal expenditures. This file is referred to as the FR3 report. The second file is an expenditure file including some commodities provided through the USDA. Another file listing the previous years audits as single audits was used for the 2000-2001 to determine which audits would be single audits instead of the other two expenditure files. This third file will no longer be used to determine single audits since the federal funds for each school district can vary from year to year.

It was also noted that the auditors were not classifying Medicaid and Impact Aid as federal dollars. Not all states require Medicaid to be classified as federal money, however Oklahoma does. The auditors have been informed of this and this will be corrected in the school year 2001-2002 audits.

Schedule of Findings Federal Award Findings And Questioned Costs

REF NO: 02-265-006

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) (Title I, Part A of ESEA)

FEDERAL AWARD NUMBER: S010A010036B

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$0

Criteria: According to the Monitoring Procedures for Title I-Project 511, Monitoring Follow-up, “1) LEAs will have 30 days in which to correct any areas of non-compliance. 2) A follow-up will be conducted to ensure findings are corrected and documented.”

Condition: During the testwork of 23 LEAs who were monitored during state fiscal year 2002, the following was noted:

1. Two of the five LEAs found not to be in compliance have not corrected the area(s) of non-compliance.
2. In addition, the department has no documentation of the follow-up performed for the two LEAs that have not corrected the area(s) of non-compliance.

Effect: The department does not appear to be following up on monitoring finding as required by the department’s monitoring procedures regarding subrecipient monitoring. This may result in monitoring findings not being corrected in a timely manner. Failure to properly review the Title I application may result in improper approval of unauthorized subrecipients.

Recommendation: We recommend the department follow established monitoring procedures for follow-up in areas of non-compliance to ensure findings are corrected and documented in a timely manner. We also recommend the department review Title I applications to ensure they are completed according to the instructions.

Management’s Corrective Action Plan

Contact Person: Carol Lingreen, Team Leader

Anticipated Completion Date:

Corrective Action Planned:

Buffalo Valley Public Schools in Latimer County – District notified and will submit documentation.
Crooked Oak Public Schools in Oklahoma County – District notified and will submit documentation.

REF NO: 02-265-007

STATE AGENCY: Department of Education

FEDERAL AGENCY: Department of Education

CFDA NO: 84.010

FEDERAL PROGRAM NAME: Title 1 Grants to Local Educational Agencies (LEAs)

FEDERAL AWARD NUMBER: S010A010036B

FEDERAL AWARD YEAR: 2001

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

QUESTIONED COSTS: \$0

Criteria: OMB Circular A-133, Subpart D § __.400d(3) states, “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.”

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OMB Circular A-110 Common Rule §____.40(a) states, “Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

Oklahoma Department of Education, Monitoring Procedures for Title 1-Project 511 states in part, “Each local educational agency (LEA) will be monitored once every five years.”

OMB Circular A-133 Audit Compliance Supplement, Department of Education, Cross-Cutting Section, Section III N 3 states:

An LEA may receive funds under Title I, Part A and the MEP (Title I, Part C) 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 or MEP funds. An LEA is considered to have met the statutory comparability requirements if it has implemented (1) an LEA-wide salary schedule; (2) a policy to ensure equivalence among schools in teachers, administrators, and other staff; and (3) a policy to ensure equivalence among schools in the provision of curriculum materials and instructional supplies. 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. An LEA may exclude from determinations of compliance with this requirement State and local funds expended for (1) bilingual education for children with limited English proficiency (LEP); (2) excess costs of providing services to children with disabilities as determined by the LEA; and (3) supplemental State or local funds for programs that meet the intent and purposes of Title I, Part A or MEP (Title I, Section 1120A(c)-(d) of ESEA (20 USC 6322(c)-(d)); 34 CFR section 200.63).

Each LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. They 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 testwork, we noted 48 out of the 60 LEAs tested have not received a review in the past five years. Also, during our testwork, we noted the department did not monitor one-fifth of the Title 1 subrecipients during fiscal year 2002. For fiscal year 2002 there were 543 Title 1 subrecipients and 108 reviews to be performed. Out of the 108, only 23 reviews were performed. The department is not adequately monitoring the LEAs according to federal regulations and department procedures.

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. The department reported 101 LEAs that are required to be in compliance with the comparability requirements. Based on the requirement that LEAs are to be monitored once every five years for compliance with the comparability requirement, approximately 20 LEAs ($101 \times 20\% = 20$) should have been monitored in fiscal year 2002 for compliance with this requirement. However, the department only reviewed seven LEAs for compliance with this requirement during fiscal year 2002. It appears the department is not sufficiently monitoring LEAs compliance with the comparability requirement

Effect: The department may not be performing sufficient monitoring activities to ensure that LEAs are in compliance with federal requirements.

Schedule of Findings Federal Award Findings And Questioned Costs

Recommendation: We recommend the department monitor subrecipients according to the established monitoring priority schedule and in accordance with federal requirements. We also recommend the department prepare and implement a unified schedule that ensures LEAs are monitored sufficiently.

Management's Corrective Action Plan

Contact Person: Carol Lingreen, Team Leader

Anticipated Completion Date:

Corrective Action Planned:

1. **The frequency of monitoring.** OSDE agrees with the finding that not enough subrecipients received on-site monitoring during 2002. This was due to a shortage of staff available to monitor in Title I. It is our policy to monitor on-site once every five years because of the large number of subrecipients (542). Other monitoring priorities are as follows: to monitor within thirty days any subrecipient for which we have received a written complaint, the amount of funds that the subrecipient receives, subrecipients that have had problems in past monitorings, and schools in Title I School Improvement. Paper monitoring is done annually through the application process.
2. **The procedures to be performed during monitoring.** Letter setting the date of the monitoring and a program checklist are sent to the district two weeks prior to the monitoring. The person(s) conducting the monitoring will take copies of the Title I District Plan, application, and comparability report. These documents will be compared with the Title I program that is being implemented in the district. A copy of the latest accreditation report will indicate what personnel are being paid from federal funds. Time and effort logs will be examined for personnel partially paid from Title I funds. Financial documentation of expenditures will also be reviewed.
3. **The follow-up of monitoring.** The person conducting the monitoring will prepare a written report to the LEA within two weeks following the monitoring visit. LEAs will have 30 days to correct any areas of non-compliance. The SDE will notify the LEA when these areas have been corrected and the LEA is in compliance.
4. **Documentation retained as a result of monitoring.** The following items are to be placed in the district file: letter setting date of monitoring; completed program checklist; written report to LEA; response from LEA on any issues of non-compliance; written follow-up on corrected findings.
5. **Comparability.** The OSDE requires that districts with more than one site for each grade span submit comparability documentation to Title I each year rather than maintain it at the district site.
6. **Application process.** The OSDE implemented a Consolidated Federal Application for FY 2003. We added a personnel description page requiring LEAs to describe not only FTES funded by federal funds, but their job descriptions. This will also help to ensure that districts are supplementing programs, not supplanting.

REF NO: 02-265-013

STATE AGENCY: Department of Education

FEDERAL AGENCY: Department of Education

CFDA NO: 10.553; 10.555; 10.556; 10.558; 10.559; 84.010; 84.027; 84.173; 84.186; 84.282; 84.298; 84.340

FEDERAL PROGRAM NAME: School Breakfast Program; National School Lunch Program; Special Milk Program for Children; Child and Adult Care Food Program; Summer Food Service Program for Children; Title 1 Grants to Local Education Agencies (LEAs); Special Education - Grants to States; Special Education - Preschool Grants; Safe and Drug-Free Schools and Communities – State Grants; Charter Schools; Innovative Education Program Strategies; Class Size Reduction

FEDERAL AWARD NUMBER: 5OK300329; 6OK300329; 5OK300349; 6OK300349; S010A000036A; H027A000051; H173A000084; S186A000037; S282A990076; S298A000036; S340A000037

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Subrecipient Monitoring

QUESTIONED COSTS: \$-0-

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Criteria: According to OMB Circular A-133, Subpart A ____ §.320 Report Submission, “ (a) *General.* The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting packages described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.”

It is the Department’s stated policy that claims for districts shall not be processed if the district has not submitted an audit by the required date (March 31, 2002).

Condition: It appears 12 Local Education Agencies (LEAs) failed to submit A-133 audits by the required submission date of March 31, 2002. Of the 12, eight LEAs received program reimbursements after the submission date and prior to submitting their A-133 audit.

Effect: It appears the Department is not in compliance with Federal requirements and internal policies and procedures in the instances noted above.

Recommendation: We recommend the Department ensure the LEAs are complying with the requirements of the Single Audit Act and OMB Circular A-133 by implementing computer edits that would not allow payments to LEAs who have not submitted their audit by the required date.

Management’s Corrective Action Plan

Contact Person: Lu Norman

Anticipated Completion Date:

Corrective Action Planned: The Financial Accounting Section has two files to monitor the schools that are required to have a Program A audit (\$300,00 or more in federal dollars) and those that need a Program B audit. Program A has nine months to submit their audit; Program B has 11 months to submit their audits to the State Department of Education. The staff tracked the Program A districts from the prior year’s audit files and issued notice to all federal program claim processors on the withholding of federal claims. Upon review of the audit findings, our office did not require the claims processor to hold the payment on Haworth, Strother, and Hooker. The prior year these districts did not spend more than \$300,000. March 1, 2003 our office will run the file from the expenditures of OCAS records as reported by the districts for school year 2002. We will monitor the districts based on the OCAS data, not the prior year’s audits. The districts as reported for Lawton, Blackwell, Snyder, Oklahoma City and Konowa, the Financial Accounting Section did notify the individual claims processor to hold the payment of federal claims. We have documentation we requested the claims not be processed. Our office will need to know what sections processed claims after they were notified to hold before additional corrective action can be applied.

REF NO: 02-265-015

STATE AGENCY: Department of Education

FEDERAL AGENCY: Department of Education

CFDA NO: 84.027

FEDERAL PROGRAM NAME: Special Education - Grants to States

FEDERAL AWARD NUMBER: H027A990051

FEDERAL AWARD YEAR: 1999

CONTROL CATEGORY: Earmarking

QUESTIONED COSTS: \$-0-

Criteria: A component objective of generally accepted accounting principles is to provide accurate cost of programs and proper accounting of funds. In addition, the grant award letter states:

The minimum amount that a State must use for subgrants to LEAs for capacity building and improvement activities is equal to the maximum amount that the State was allowed to retain for State level activities under section 611(f)(1)(a) for FFY 1998, multiplied by the

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difference between the percentage increase in the State's allocation under section 611 from FFY 1998, and the rate of inflation. These funds are to be used by LEAs to provide direct services and make systemic change to improve results for children with disabilities through: (1) direct services, including alternative programming for children who have been expelled from school, and services for children in correctional facilities, children enrolled in State-operated or State-supported schools, and children in charter schools; (2) addressing needs or carrying out improvement strategies identified in the State Improvement Plan; (3) adopting promising practices, materials, and technology, based on knowledge derived from education research and other sources; (4) establishing, expanding or implementing interagency agreements and arrangements between LEAs and other agencies concerning the provision of services to children with disabilities and their families; and (5) increasing cooperative problem-solving between parents and school personnel and promoting the use of alternative dispute resolution.

Condition: The Department maintains a spreadsheet that distinguishes types of expenditures by program code. During our evaluation of the internal controls for earmarking requirements, we determined from conversations with Department personnel that the spreadsheet was used to determine whether earmarking requirements were being met. Based on our review of this spreadsheet and the supporting documentation, we were unable to identify the amount of expenditures related to the capacity building and improvement activities. Based on conversations with Department personnel, it appears capacity building and improvement activity expenditures are coded with the same program code as the flow-through to the LEAs. In addition, we noted that the grant award amounts for Discretionary and pass-through to LEAs on the spreadsheet did not match the amounts recorded on the IDEA-B Budget FY2000 Funding sheet provided to our office by IDEA-B program personnel.

Effect: We were not able to determine if the Department fulfilled the minimum capacity building and improvement grant earmarking requirements. It appears the spreadsheet noted above is not adequate to ensure earmarking requirements are being met.

Recommendation: We recommend a separate program code be used to identify capacity building and improvement expenditures. We further recommend IDEA Part B program personnel work with Federal Accounting and Reporting personnel to ensure expenditures are properly coded and reported in order to adequately document the Department's compliance with earmarking requirements.

Management's Corrective Action Plan

Contact Person: Vonna Anderson

Anticipated Completion Date: February 28, 2003

Corrective Action Planned: Federal Accounting and Reporting personnel will work with IDEA Part B program personnel to establish program codes to identify capacity building and improvement expenditures spreadsheets will reflect the new coding and identify the earmarking requirements.

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Employment Security Commission

REF NO: 02-290-013

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.258, 17.259, and 17.260

FEDERAL PROGRAM NAME: Workforce Investment Act

FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150, AA120310250

FEDERAL AWARD YEAR: 1999, 2000, 2001, 2002

CONTROL CATEGORY: Reporting

QUESTION COST: \$0

Criteria: An objective of generally accepted accounting principles is reliability of information.

Condition: During our testwork of performance reporting for the Workforce Investment Act we noted the following variances of reported data to support documentation:

<u>WIB Tested</u>	SDA Quarterly Report <u>For Adults</u>	SDA Participant List <u>For Adults</u>	Variance Reported <u>Over (Under) Stated Number</u>
North Central	343	201	142
East Central	248	231	17
Southwest	95	87	8

	SDA Quarterly Report <u>For Dislocated Workers</u>	SDA Participant List <u>For Dislocated Workers</u>	Variance Reported <u>Over (Under) Stated Number</u>
North Central	120	98	22
East Central	97	92	5
Southwest	32	31	1

	SDA Quarterly Report <u>For Younger Youth</u>	SDA Participant List <u>For Younger Youth</u>	Variance Reported <u>Over (Under) Stated Number</u>
North Central	221	288	(67)
East Central	378	341	37
Southwest	44	43	1

	SDA Quarterly Report <u>For Older Youth</u>	SDA Participant List <u>For Older Youth</u>	Variance Reported <u>Over (Under) Stated Number</u>
North Central	41	61	(20)
East Central	54	57	(3)
Southwest	12	11	1

Cause: Performance participants reported from the Service Link System are not reconciled to the actual participant lists that would support the reported data.

Schedule of Findings Federal Award Findings And Questioned Costs

Effect: Performance participants reported to the federal awarding entity may not be reliable when support documents are not obtained or reconciliations are not performed.

Recommendation: We recommend that OESC require participant lists be provided from the Service Delivery Area (SDA) at the time the performance quarterly reports are prepared, so a reconciliation of reported data may be performed. This reconciliation of data may ensure reliability of information is reported to the federal awarding entity.

Management's Corrective Action Plan

Contact Person: Terry L. Watson

Anticipated Completion Date: Policy issued by May 1.

Corrective Action Planned: Monitors are currently spot checking information. Verification and validation policy will be issued. Service Link was brought up in February 2002, and was not fully operational until July of 2002. During this past year, we have been working to ensure that reliable data is input into the system. This has included a training effort statewide. Staff has conducted training in every Workforce investment area. In addition, monthly meetings are held with local MIS contacts. Monitors are currently spot checking records during monitoring visits, and comparing it with Service Link records. We are currently working on a validation and verification policy, and anticipate having that issued by May 1.

REF NO: 02-290-014

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.258, 17.259, and 17.260

FEDERAL PROGRAM NAME: Workforce Investment Act

FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150, AA120310250

FEDERAL AWARD YEAR: 1999, 2000, 2001, 2002

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$ 0

Criteria: An objective of generally accepted accounting principles is reliability of information.

Condition: During our testwork of performance reporting for the Workforce Investment Act we noted the following variances of the total Service Delivery Areas (SDA's) reported data to the total statewide reported data.

Total Quarterly Report <u>For Adult</u> 3880	Total of SDA's Reports <u>For Adult</u> 3888	Variance Reported <u>Over (Under) Stated Number</u> (8)
Total Quarterly Report <u>For Dislocated Workers</u> 2069	Total of SDA's Reports <u>For Dislocated Workers</u> 2107	Variance Reported <u>Over (Under) Stated Number</u> (38)
Total Quarterly Report <u>For Younger Youth</u> 3391	Total of SDA's Reports <u>For Younger Youth</u> 3414	Variance Reported <u>Over (Under) Stated Number</u> (23)
Total Quarterly Report <u>For Older Youth</u> 694	Total of SDA's Reports <u>For Older Youth</u> 678	Variance Reported <u>Over (Under) Stated Number</u> 16

Cause: Service Delivery Area quarterly reports are not reconciled to the quarterly report sent to the federal agency.

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Effect: Performance participants reported to the federal awarding agency may not be reliable when reconciliations of the SDA's quarterly reports to the data reported are not performed.

Recommendation: We recommend that OESC reconcile SDA quarterly performance reports to the quarterly report sent to the federal awarding agency to ensure reliability of information.

Management Corrective Action

Contact Person: Terry L. Watson

Anticipated Completion Date: Policy issued by May 1.

Corrective Action Planned: Monitors are currently spot checking records and comparing to Service Link data. Policy issued by May 1. Service Link was brought up in February 2002, and was not fully operational until July of 2002. During this past year, we have been working to ensure that reliable data is input into the system. This has included a training effort statewide. Staff has conducted training in every Workforce investment area. In addition, monthly meetings are held with local MIS contacts. Monitors are currently spot checking records during monitoring visits, and comparing it with Service Link records. We are currently working on a validation and verification policy, and anticipate having that issued by May 1.

REF NO: 02-290-015

STATE AGENCY: Oklahoma Employment Security Commission

FEDERAL AGENCY: Department of Labor

CFDA NO: 17.258, 17.259, and 17.260

FEDERAL PROGRAM NAME: Workforce Investment Act

FEDERAL AWARD NUMBER: A73839008750, AA102630050, AA112720150, AA120310250

FEDERAL AWARD YEAR: 1999, 2000, 2001, 2002

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$ 0

Criteria: An objective of generally accepted accounting principles is reliability of information.

Condition: During our testwork of performance reporting for the Workforce Investment Act we noted the following variances from the total quarterly performance reported data to the annual performance report. Adequate supporting documentation was not provided for the variances listed below:

Quarterly Reported Data <u>For Adult</u> 3880	Annual Reported Data <u>For Adult</u> 3221	Variance Quarterly Report <u>Over (Under) Annual Report</u> 659
Quarterly Reported Data <u>For Dislocated Workers</u> 2069	Annual Reported Data <u>For Dislocated Workers</u> 1848	Variance Quarterly Report <u>Over (Under) Annual Report</u> 221
Quarterly Reported Data <u>For Younger Youth</u> 3391	Annual Reported Data <u>For Younger Youth</u> 3306	Variance Quarterly Report <u>Over (Under) Annual Report</u> 85
Quarterly Reported Data <u>For Older Youth</u> 694	Annual Reported Data <u>For Older Youth</u> 666	Variance Quarterly Report <u>Over (Under) Annual Report</u> 28

Cause: The annual report includes corrections made to the quarterly report.

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Effect: Performance data may not be reliable when adequate documentation of reported data is not maintained.

Recommendation: We recommend OESC maintain documentation of corrected data from the quarterly report to the annual report to ensure reliability of information.

Management's Corrective Action Plan

Contact Person: Terry L. Watson

Anticipated Completion Date: Policy issued by May 1.

Corrective Action Planned: Monitors are currently spot checking records and comparing to Service Link data. Policy issued by May 1. Quarterly reports may vary from annual report due to changes and updates of data, additional wage data, or corrections to previously entered data. However, during the time in question, Service Link was still being implemented. Service Link was brought up in February 2002, and was not fully operational until July of 2002. During this past year, we have been working to ensure that reliable data is input into the system. This has included a training effort statewide. Staff has conducted training in every Workforce investment area. In addition, monthly meetings are held with local MIS contacts. Monitors are currently spot checking records during monitoring visits, and comparing it with Service Link records. We are currently working on a validation and verification policy, and anticipate having that issued by May 1.

Department of Health

REF NO: 02-340-002

STATE AGENCY: Department of Health

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.777, 93.778

FEDERAL PROGRAM NAME: State Survey and Certification of Health Care Providers and Suppliers,
Medical Assistance Program

FEDERAL AWARD NUMBER: 5-0205OK5028

FEDERAL AWARD YEAR: 2002

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 53 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. Of the 106 comparisons made, we noted 30 instances in which the survey was not conducted within a 15-month period.

- 4 surveys were conducted in the 16th month
- 4 surveys were conducted in the 17th month
- 8 surveys were conducted in the 18th month
- 5 surveys were conducted in the 19th month
- 6 surveys were conducted in the 20th month
- 1 surveys were conducted in the 21st month

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- 1 surveys were conducted in the 24th month
- 1 surveys were conducted in the 27th 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 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: December 2002

Corrective Action Planned: After reviewing your testwork on timeliness of the nursing facility surveys for FY 2002, I agree that your information is correct.

In September 2002, after the Office of Personnel Management (OPM) approved the pay increases for our surveyors, the LTC began hiring qualified staff. The hiring and subsequent training continued to pour into the FY 2002 period, which precluded our being able to meet the 15-month time frame during FY 2002. However, by the end of the calendar year 2002, all nursing home surveys were being completed within the 15-month required time frame.

Having accomplished that, Oklahoma's LTC is now in compliance with the 1864 agreement with CMS.

Health Care Authority

REF NO: 02-807-005

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: 5-0205OK5028

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Period of Availability

QUESTIONED COSTS: \$72

Criteria: 42 CFR 447.45 states:

“(d) Timely processing of claims. (1) The Medicaid agency must require providers to submit all claims not later than 12 months from the date of service.”

Oklahoma Administrative Code 317:30-11 states, “(a) According to federal regulations, claims must be received by the Fiscal Agency within one year from the date of service. Payment will not be made on claims when more than 12 months have elapsed between the date of service was provided and the date of receipt of the claim by the Fiscal Agent. . “

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Condition: During our review of forty-five (45) claims we noted one (1), in which it appears the claim was not filed timely.

Effect Funds were spent on a claim submitted and paid outside of the 12-month period.

Recommendation: We recommend the Authority research the claim that was paid outside the 12-month period.

Management's Corrective Action Plan

Contact Person: Justin Etchieson, Auditor III

Anticipated Completion Date:

Corrective Action Planned: OHCA will continue to research the claim. If OHCA cannot support the claim was timely filed, payment will be recouped from the provider.

REF NO: 02-807-006

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: 5-0205OK028

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Special Tests and Provisions— Provider Eligibility

Criteria: According to OMB A-133 Compliance Supplement (March 2002) In order to receive Medicaid payments, providers of medical services rendering services must be licensed in accordance with Federal, State and local laws and regulations to participate in the Medicaid program (42 CFR 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act).

42 CFR 485.56 (a) requires health care providers and fiscal agents to disclosure certain information about ownership and control.

Condition: During testing of Provider files we noted:

- Of 48 provider files tested for current license information, we could not find licenses for 6 provider(s). In addition, another 3 provider files contained a license that covered only part of the state fiscal year.

For these 9 providers we contacted the appropriate licensing board based on the provider type to ensure the provider was licensed during the fiscal year. We were able to verify that these providers had a renewed and current license through at least June 30, 2002.

Effect: Providers of medical services could be participating the Medical Assistance Program without the required license, or disclosure statement.

Recommendation: We recommend the Authority obtain necessary documents from the licensing board to update these provider files.

Management's Corrective Action Plan

Contact Person: Peggy Hansen, Services Contract Operations Manager

Anticipated Completion Date:

Corrective Action Planned: The Authority is in the process of updating the provider files that were missing or had partial license information.

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Department of Human Services

REF NO: 02-830-003

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: 9901OKCCD2, 0001OKCCDF, AND 0101OKCCD3

FEDERAL AWARD YEAR: 1999, 2000, and 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. This is a repeat finding from fiscal years 2000 and 2001.

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

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 and Curtis Rachels

Anticipated Completion Date:

Corrective Action Planned: When reauthorization occurs, 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 funding 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 identify expenditures to Federal-funding initially.

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REF NO: 02-830-004

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: 2002

CONTROL CATEGORY: Activities Allowed and Unallowed

QUESTIONED COSTS: \$224,764

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-seven day care claims in SFY 2002. The following was noted:

- 47 instances of no Service/Attendance Records;
- 20 instances of unsigned Service/Attendance Records;
- 5 instances of forged signatures on Service/Attendance Records;
- 13 instances of claiming for days when child did not attend;
- 6 instances of consistently claiming days which are not listed on signed Service/Attendance records;
- 6 instances of consistently claiming full-time care when part-time care was documented as having been provided; and
- 4 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 total overpayment amount established by the OP Unit in conjunction with the OIG findings for the period 07/01/01 through 06/30/02 was \$321,054 of which, \$224,764 remained outstanding at year end..

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Effect: It appears the Department may have overpaid day care providers by \$321,054 during SFY 2002.

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: Susan M. Hall, Programs Manager, Child Care Program

Anticipated Completion Date: July 1, 2004

Corrective Action Planned: DHS's Office of Inspector General will continue to monitor the childcare facilities. The FSSD/Overpayments Unit will continue to establish the debt of each facility.

The new Electronic Benefit Transfer (EBT) System for tracking time and attendance as well as making payments to providers is now implemented in three of the six areas of Oklahoma. Monitoring of this system will be handled by the Division of Finance and The Office of Inspector General in coordination with Family Support Services Division and Data Services Division. It is anticipated this system will be operational in all counties in the state by July 1, 2004.

Family Support Services Division / Child Care Unit continues to cancel the providers contracts of those child care providers who intentionally fail to comply with the requirements of the contract.

Division of Finance continues to recoup available funds from childcare providers and to collect overpayments from those whose contracts have been canceled.

REF NO: 02-830-009

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; G-0201OKTANF

FEDERAL AWARD YEAR: 1999; 2000; 2001; 2002

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

QUESTIONED COSTS: \$ 8,109

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: During testwork of sixty-two case files we found thirty-seven 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.

In addition to the questioned costs above which are stated as of June 30, 2002, we also noted \$7,623 in overpayments relating to these thirty-seven cases for the period July 1, 2002 through December 31, 2002.

This is a repeat finding from fiscal year 2001.

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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 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 office to ensure that the benefits for non-cooperative TANF clients are properly reduced or denied 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 2004

Corrective Action Planned: Family Support Services Divisions, FSSD, and CSDE 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 importance of the integrity of the information on their system and the importance of updating this screen timely when cooperation begins. Effective dates were added to the CCPI screen in 09-02 by CSED.

REF NO: 02-830-010

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: 93.568G01B1OKLIEA, 93.568G02B1OKLIEA

FEDERAL AWARD YEAR: 2001, 2002

CONTROL CATEGORY: Activities Allowed or Unallowed and Eligibility

QUESTIONED COSTS: \$1,921

Criteria: Department of Human Services Policy 340:20-1-10, Program factors states, "Eligible households. All households must meet the following conditions:

- (1). Be vulnerable by being totally or partially responsible for the cost of home energy; and
- (2). Must not exceed the income and resource standards as shown on DHS Appendix C-7, Income and Resource Level by Household Size. The income amounts are established at 110% of the applicable Federal Poverty guidelines.

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. 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 for each type of assistance provided by LIHEAP to determine if any clients who received a benefit met the requirements of eligibility

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based on the LIHEAP Income and Resource Level by Household Size. Based on the results of this test, we identified twenty-one cases where income exceeded the maximum amount in order to receive a LIHEAP benefit. Total unallowable benefits paid was \$1,500.00

In addition, we analyzed the benefit amount received by each household based on income, household size, fuel type, and type of assistance received. Based on the testwork perform, we determined that:

- Four cases each received a benefit of \$165.00 during the Cooling Program, but the households were only eligible to receive \$110.00.
- Two cases each received a benefit of \$129.00 during the Heating Program, but the households were only eligible to receive \$57.00.
- One case received a benefit of \$179.00 during the Heating Program, but the household was only eligible to receive \$122.00

Total paid in excess of the maximum benefit was \$421.00.

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.

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

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 30, 2003

Corrective Action Planned: Request Data Services Division to program edits to prevent payments in excess of the maximum allowed and to households with income exceeding the maximum allowed.

REF NO: 02-830-011

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; G-0101OKTANF

FEDERAL AWARD YEAR: 1999; 2000; 2001; 2002

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$3,126

Criteria: 1. March 2002 A-133 Compliance Supplement, states: "The State or Tribal Plan provides the specifics on how eligibility is determined in each State or Tribal service area. Plan and eligibility requirements must comply with the following Federal requirements..."

- b. (4) A State may not provide assistance for a minor child who has been or is expected to be absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 180 consecutive days unless the State grants a good cause exception, as provided in its State Plan (42 USC 608(a)(10)).

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(5) A State may not provide assistance for an individual who is a parent (or other caretaker relative) of a minor child who fails to notify the State agency of the absence of the minor child from the home, as in paragraph e. immediately above, within five days of the date that it becomes clear to that individual that the child will be absent for the specified period of time (42 USC 608(a)(10)(C)).

2. The State Plan refers to DHS Policy OAC 340:10, which refers to OAC 340:65-3-8. This policy states, "...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 cases:

1. One case should have received an annual eligibility re-determination in January 2002. The file did not contain evidence of current eligibility re-determinations in January 2002; however, the client continued to receive assistance through June 2002. (Questioned Costs-\$1,125)

In addition to the questioned costs above which are stated as of June 30, 2002, we also noted \$1,350 in payments relating to this case for the period July 1, 2002 through December 31, 2002. Additional payments may have occurred after this date as well.

2. In one case reviewed, the client was initially determined eligible in May 2000 (child only case). However, in June 2000 the child moved out of the home. The client did not notify the Department of this change as agreed when the TANF application was signed. Based on the initial determination date, the client's eligibility should have been redetermined no later than May 2001. However, a redetermination was not performed until May 2002 at which time they were determined ineligible. The client received benefits this entire period. (Questioned Costs-\$2,001)

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

Recommendation: We recommend the Department follow the State Plan and re-determine eligibility for TANF recipients as required.

Management's Corrective Action Plan

Contact Person: Karen Rynearson

Anticipated Completion Date: April 2003

Corrective Action Planned: The county offices have been contacted and will conduct a "back-to-basics" training to assure all staff are familiar with requirements for eligibility re-determinations.

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REF NO: 02-830-013

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-0002OKTANF

FEDERAL AWARD YEAR: 2002

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 selected thirty-eight (38) case files for testing the TANF Data Report (ACF-199). During our testing we noted one case in which work hours were not reported on the ACF-199; however, based on information in the case file it appears work hours should have been reported. In addition, one case file selected for testing was not reported in the ACF-199.

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 ensure the TANF Data Report (ACF-199) contains accurate and complete data.

Management's Corrective Action Plan

Contact Person: Tom Wright

Anticipated Completion Date:

Corrective Action Planned: We have adjusted the TANF "universe" which should eliminate the cases showing no participation hours, which actually had participation hours. This same adjustment to the TANF universe will eliminate cases previously not reported. We will continue last year's processes regarding data validation.

REF NO: 02-830-014

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: 93.568G01B1OKLIEA

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Reporting

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.

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OMB Circular A-133 Compliance Supplement, Part 3, Section L. Reporting, under Audit Objectives, states, "Determine whether required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented." In addition, the Supplement provides the following recommended audit procedures:

- (1) Trace the data to records that accumulate and summarize data.
- (2) Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.

Condition: On April 4, 2002, we requested management to provide detail supporting the data reported in the *Annual Report of Households Assisted by LIHEAP*, which reported on households that received assistance during the federal fiscal year ending September 30, 2001. Throughout the year, we made other requests for the Department to provide the supporting detail; however, the detail was never provided. The detailed data was also not provided during our 2000 and 2001 fiscal year audits.

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. We also recommend that the Department ensure that requested information is provided in order to test for program compliance.

Management's Corrective Action Plan

Contact Person: Mel Phillips

Anticipated Completion Date: October 1, 2003

Corrective Action Planned: The department will retain all records in accordance with the Common Rule and electronic reports will be maintained to allow audit verification.

REF NO: 02-830-018

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, 0101OKCCD2, 0101OKCCD3, 0101OKCCD4, AND 0201OKCCDF

FEDERAL AWARD YEAR: 2000, 2001, and 2002

CONTROL CATEGORY: Eligibility

QUESTIONED COSTS: \$ 4,056

- Criteria:**
1. March 2002 A-133 Compliance Supplement, states: "The approved plan provides the specific eligibility requirements selected by each State/territory/tribe..."
 2. DHS policy 340:40-3-1. Initial application, states: "(a) Initial application. An applicant or the applicant's authorized representative completes Form K-2, Application for Child Care Services, or Form FSS-1, Comprehensive Application and Review, to apply for child care services..."

Condition: During eligibility testwork of eighteen case files we noted two case files within our sample did not contain an application. As a result, we were unable to determine if these individuals were eligible for day care benefits.

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Effect: The Department may not be in compliance with A-133 Compliance Supplement or internal policy, which may result in ineligible individuals receiving childcare payments.

Recommendation: We recommend that the Department review established procedures to ensure they are adequate to facilitate compliance with A-133 Compliance Supplement and internal policy.

Management's Corrective Action Plan

Contact Person: Susan M. Hall, Program Manager, Childcare Program

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: Review of policy and instructions to staff has been conducted. We will develop additional instructions to staff emphasizing that current TANF recipients who are "automatically" eligible for child care services require an application before services can be approved.

A Family Support Services memo will be sent to all county offices regarding this audit finding and emphasize the requirement for use of the application form for all child care service requirements.

During the next Quarterly Training of all supervisor's in the state emphasis will be given to the requirement of the application form to be completed and kept in the case file.

We will ask the Family Support Field Liaisons to review with each county office staff the requirement for use of the K-2 or FSS-1 application forms to be used for all requests for childcare.

REF NO: 02-830-020

STATE AGENCY: Department of Human Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.568

FEDERAL PROGRAM NAME: Low Income Home Energy Assistance Program

FEDERAL AWARD NUMBER: 93.568G02B1OKLIEA

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Activities Allowed and Unallowed

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

Condition: During testing of the LIHEAP program and inquiry of management, it was determined that historical data regarding client benefits was no longer available through the Department's system. As a new LIHEAP application period begins, historical data is purged so current information may be input.

Effect: Although client historical information may still exist in the case files, these files are located throughout the state. Therefore, information for the program as a whole may not be available or accessible in a timely manner.

Recommendation: We recommend the Department's system maintain each client's current and historical LIHEAP information.

Management's Corrective Action Plan

Contact Person: Mel Phillips

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: The Department is going to implement the corrective actions as outlined by the auditor.

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REF NO: 02-830-21

STATE AG-NCY: Department of Human Services

FEDERAL AGENCY: Department of Human Services

CFDA NO: 93.658 and 93.659

FEDERAL PROGRAM NAME: Foster Care – Title IV-E and Adoption Assistance

FEDERAL AWARD NUMBER: 0201OK1401 and 0201OK1407

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Eligibility

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

Condition: During testing of the Foster Care and Adoption Assistance programs and through discussions with management, it was determined that the eligibility data provided by management was incorrect. This was due to various clients' eligibility status changing from IV-B (state funded) to IV-E (federally funded) or vice-versa. When a client's eligibility status changes, the Departments system retroactively updates the client's history to reflect the current status. As a result, data requested for a specific time period cannot be reproduced and we were unable to verify our population for IV-E clients was complete.

Effect: Foster Care and Adoption Assistance client information may not be accurate and reliable.

Recommendation: We recommend the Department's system be changed to ensure client history data is not updated when a change in status occurs.

Management's Corrective Action Plan

Contact Person: Debbie Kittrell

Anticipated Completion Date: July 1, 2002

Corrective Action Planned: System has been changed to ensure data is preserved and can be reproduced by saving a copy of file when the report is produced.

Department of Mental Health and Substance Abuse Services

REF NO: 02-452-003

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Special Tests and Provisions - Independent Peer Reviews

Criteria: 45 CFR Sec. 96.136 - Independent peer review, states:

- (a) The State shall for the fiscal year for which the grant is provided, provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved, and ensure that at least 5 percent of the entities providing services in the State under such program are reviewed. The programs reviewed shall be representative of the total population of such entities.
- (d) As part of the independent peer review, the reviewers shall review a representative sample of patient/client records to determine quality and appropriateness of treatment services, while adhering to all Federal and State confidentiality requirements, including 42 CFR Part 2. The reviewers shall examine the following:
 - (1) Admission criteria/intake process;

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- (2) Assessments;
 - (3) Treatment planning, including appropriate referral, e.g., prenatal care and tuberculosis and HIV services;
 - (4) Documentation of implementation of treatment services;
 - (5) Discharge and continuing care planning; and
 - (6) Indications of treatment outcomes.
- (e) The State shall ensure that the independent peer review will not involve practitioners/providers reviewing their own programs, or programs in which they have administrative oversight, and that there be a separation of peer review personnel from funding decision makers. In addition, the State shall ensure that independent peer review is not conducted as part of the licensing/certification process.
- (f) The States shall develop procedures for the implementation of this section and such procedures shall be developed in consultation with the State Medical Director for Substance Abuse Services.

Condition: While gathering an understanding of the internal controls for this requirement, a Department employee made the statement that independent peer reviews were optional and the certification review may substitute for the peer review. This statement appears to be in conflict with the Federal regulation previously cited. Upon further investigation, we determined the employee was basing the statement upon 450:18-9-8 of the Department's Administrative Rules, which reads, in part, as follows:

- (a)...Facilities may have written policy and procedures for, the provision of external peer review.
- (d) NOTE: For those years when there is an ODMHSAS certification review, the peer reviewer's report may substitute for an external peer review requirements..."

(This Administrative Rule was effective July 1, 2001; however, we noted that as of July 1, 2002, this rule has been revoked.)

As stated in 45 CFR Section 96.136(f), the Department is responsible for developing procedures to ensure implementation of this regulation. With the exception of the Administrative Rule cited above, it did not appear the Department had any other policies or procedures addressing independent peer reviews.

We also reviewed several of the documents considered independent peer reviews by the Department. We noted the reviews were not consistent in content and many did not include the areas of review required by 45 CFR Section 96.136(d).

Cause: The Department's Administrative Rule conflicts with Federal regulations.

Effect: Without adequate policies and procedures, the Department may not comply with 45 CFR Section 96.136.

Recommendation: We recommend the Department develop policies and procedures to address the independent peer review process required by 45 CFR 96.136. As part of these policies and procedures, we recommend the Department develop a standard, peer review form to be used by all peer reviewers. This will ensure the consistency of the reviews and ensure the elements required by 45 CFR 96.136 are addressed. We also recommend the policies and procedures include a mechanism to ensure at least 5% of the providers receive a peer review each year.

In addition, we recommend the Department ensure their Administrative Rules are not in conflict with Federal regulations.

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Management's Corrective Action Plan

Contact Person: Richard Bowden, Federal Funds Administrator

Anticipated Completion Date: October 1, 2002

Corrective Action Planned: The DMHSAS will develop policies and procedures to address independent peer review along with a standard peer review form to be used by all peer reviewers. Beginning with the SFY-2003 contracts, DMHSAS will required independent peer review with no substitution allowed for a DMHSAS certification review.

REF NO: 02-452-004

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

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Subrecipient Monitoring

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."

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

- There were no written procedures addressing the Department's monitoring efforts. DMHSAS Policy FL 10.4.8 (effective date 7/1/2001) does discuss who is responsible for performance monitoring, eligibility monitoring, and ensuring compliance with contract terms and conditions. However, the policy does not describe the actual procedures to be performed for these areas.
- 8 of the 52 facilities that received treatment money had received site visits. These facilities represented \$2,405,419 (21.56%) of the \$11,155,793 treatment money disbursed to subrecipients. All of the facilities that received prevention money had received site visits and they were all found to be in compliance with their contract.

Effect: Without written procedures it is more likely that certain facilities may not be visited except during certification visits. It is also more likely for errors and irregularities at the subrecipient level go unseen for longer periods of time.

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 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 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 corrected.

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- 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: Richard Bowden, Federal Funds Administrator

Anticipated Completion Date: October 1, 2002

Corrective Action Planned: The DMHSAS will develop policies and procedures to ensure that a consistent and uniform staff review of subrecipients takes place on a rotating basis. The policies and procedures will address:

- 1) The frequency of the visits
- 2) The procedures to be performed during the monitoring
- 3) The follow-ups of monitoring including findings, recommendations, and corrective action plans
- 4) The documentation of the visits

REF NO: 02-452-005

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

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Subrecipient Monitoring

Criteria: OMB Circular A-133, Section 400(d) *Pass-through entity responsibilities*, states, "A 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.
- (4) Ensure that subrecipients expending \$300,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year."

According to DMHSAS' Policy #FL.10.4:

(3)(a) Type of Audit Required - For FY '97 and after, the possible required audits (from least to most comprehensive) and the circumstances requiring each are provided below:

(2) Special Monitoring or agreed-upon procedures engagement – The contractor receives less than \$50,000 in state funds from the Department and expends \$1 or more but less than \$300,000 in federal funds from all sources. The completion of this type of engagement is the responsibility of the Department.

(5) Obtaining audit reports not submitted by due date – By contract, audit report are due no later than five months after the end of any organization's fiscal (accounting) year...excepting those who have submitted timely filed extensions.

(7)(b) Grant-based requirements – The monitoring is conducted through the use of audit programs and/or review protocols that are specific to each federal award received by the Department. Unless otherwise requested or needed, only the following federal compliance items for each federal award are addressed: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting.

(c) Agreed-Upon Procedures Engagements – The Department, in lieu of performing the required level of monitoring for one or more contractors, may hire independent auditors to conduct agreed-upon procedure engagements conducted in accordance with the auditing or

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attestation standards promulgated by the American Institute of Certified Public Accountants and restricted to the compliance items identified in section b above. In such instances, Internal Audit reviews the reports of the independent auditors and takes action as needed on any findings.

Condition: Based on a review of 15 facility's independent audit report, we noted three facilities had failed to submit their audit report within the submission date required by OMB Circular A-133. Under the OMB Circular A-133 submission requirement, the audit reports were required to be submitted no later than March 30, 2002; however, as of June 30, 2002, the Department had not received the reports. Department personnel stated that funding would be withheld beginning October 2002 to those facilities that had failed to submit a Single Audit Report.

In addition, according to Department records four of the 63 subrecipients met the criteria for an agreed-upon procedures engagement. However, these procedures have not been performed because the Department has not yet developed the agreed-upon procedures protocol. Of these four subrecipients, one did not receive any other type of monitoring from the Department.

Effect: Without current audit reports for each subrecipient, it is likely for errors and irregularities at the subrecipient level will not be detected in a timely manner.

Recommendation: We recommend the Department ensure all audit reports are submitted in a timely manner.

We also recommend DMHSAS complete the protocol for the agreed-upon procedures audits so that the entities requiring these audits will be monitored.

Management's Corrective Action Plan

Contact Person: Lonnie Yearwood, Program Field Representative

Anticipated Completion Date: December 1, 2002

Corrective Action Planned: The due date for the independent audit reports and the unit cost reports will remain at five months after the entity's fiscal year end. Through utilization of existing databases, the DMHSAS will be more assertive in following up on delinquent reports. Some entities may experience delays in their subsequent year control until the reports are received. The agreed-upon procedures protocol to monitor subrecipients of federal funds shall be completed prior to year-end.

REF NO: 02-452-006

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

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Subrecipient Monitoring

Criteria: OMB Circular A-133, Section 400(d) *Pass-through entity responsibilities*, states "A pass-through entity shall perform the following for the Federal awards it makes:...

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

According to DMHSAS' Policy #FL.10.4:

- (4)(b) Reading the report for major and/or federal-award findings – ...The auditor's findings and questioned costs, if any, are read – particularly those dealing with federal DMHSAS contract funds. If present, the schedule of prior audit findings and a management letter are read...Based on this work and the reviewer's judgment, Internal Audit contacts the program and, typically, the program's auditor in writing on significant matters, findings, and/or questioned costs that

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need immediate attention. Correspondence sent is noted by entry on the review form and into a “pending” database for tracking purposes. If the finding or issue involves federal funds from the Department, an evaluation of the finding and corrective action is necessary is issued within six months of the receipt of the audit report.

- (6)(b) Notifying an entity of review results – If the review does not result in any findings or issues needing resolution or correction, Internal Audit sends a letter of acceptance to the entity and the entity’s auditor. If the review does disclose findings or issues, Internal Audit sends correspondence to the entity and, typically, the entity’s auditor (depending on the issues involved). The correspondence may seek clarification on a matter or an update on what is being done to correct one or more deficiencies. If the finding or issue involves federal funds from the Department, an evaluation of the finding and corrective action plan is made, and a written decision as to what corrective action is necessary is issued within six months of the receipt of the audit report. The sending or correspondence is noted in the “pending” database in order to permit timely follow-up.

Condition: Based on review of fiscal year 2002 subrecipient independent audits, it appears that the 2000 audit of one subrecipient included multiple material weaknesses and as of, June 2002, these weaknesses were not addressed by DMHSAS. And as of the audit date, June 2002, this facility had not yet submitted a 2001 audit to DMHSAS.

Effect: Without following up on material weaknesses, there is nothing to ensure that the subrecipients are in compliance with Federal program requirements.

Recommendation: We recommend that the Department review subrecipient audit reports and issue timely management decisions on the audits concerning material weaknesses addressed in the audit reports. We further recommend that the Department require the subrecipient to take timely corrective action on deficiencies identified in the audits.

Management’s Corrective Action Plan

Contact Person: Lonnie Yearwood, Program Field Representative

Anticipated Completion Date: August 20, 2002

Corrective Action Planned: The DMHSAS will review subrecipient audit reports and issue timely management decisions on the audit findings concerning material weaknesses addressed in the audit reports.

REF NO: 02-452-007

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Level of Effort

Criteria: CFR 96.134 states in part “Maintenance of effort regarding State expenditures:

(a) With respect to the principal agency of a State for carrying out authorized activities, the agency shall for each fiscal year maintain aggregate State expenditures by the principal agency for authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant.”

Condition: While reviewing the calculation of the state’s aggregate expenditures, we noted the amounts used in the calculation for sub-activities 0001, 0005, and 0006 (totaling \$375,335.27) were the same for

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state fiscal years 2000 and 2001. According to Department personnel, these three subactivities include state expenditures for multiple programs; therefore, 100% of the subactivity cannot be included in the aggregate state expenditure calculation. To account for this, the Department prepared estimates of these subactivities based upon the percentage of the Department's total budget applicable to substance abuse. According to Department personnel, the estimates were calculated several years ago; however, they have been used in the state's aggregate expenditure calculation since they were established.

In addition, although the differences were minor, we noted for state fiscal year 2000, one amount used in the calculation did not agree to accounting records and for state fiscal year 2001, two amounts used in the calculation did not agree to accounting records.

Effect: We recalculated the state's aggregate expenditures for both state fiscal year 2000 and 2001 using those years current data rather than the historical estimate. Based upon this recalculation, it appears the Department is in compliance with the level of effort requirement. However, using historical estimates will likely cause an inaccurate state aggregate expenditure calculation; therefore, reducing the Department's assurance of compliance with the level of effort requirement.

Recommendation: We recommend the Department recalculate the estimates used in the state aggregate expenditure calculation on an annual basis. In addition, we recommend amounts used in the calculation agree to accounting records.

Management's Corrective Action Plan

Contact Person: Richard Bowden, Federal Funds Administrator

Anticipated Completion Date: October 1, 2003

Corrective Action Planned: The maintenance of effort calculation related to the Central Office Administrative sub-activities will be calculated annually based on actual expenditures for the fiscal year.

REF NO: 02-452-008

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$5,529

Criteria: Oklahoma Administrative Code (OAC) 450:18-3-101 **Residential treatment for adults** states:

“(a) Addiction and chemical dependency treatment in a residential setting . . . Treatment offers intensive primary treatment and clients must participate in at least twenty-one (21) therapeutic hours of substance abuse services per week, in addition to life skills, recreational and self-help supportive meetings, and other therapies.”

“(b) The facility must maintain written programmatic descriptions as follows:

(6) Documentation:

- (A) Progress notes in the client's records clearly reflecting implementation of the treatment plan and services provided, in addition to the client's response to treatment;
- (B) Documentation maintained that each client has received a minimum of twenty-one (21) hours of therapeutic services each week, in addition to life skills, recreational and self-help supportive meetings; and
- (C) Records shall document the start and stop time or the amount of time spent providing each treatment service.”

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OAC 450:18-3-121 **Residential treatment for women with dependent children** states:

“(a) Addiction and chemical dependency treatment in a residential setting . . . Treatment offers intensive primary treatment and clients must participate in at least twenty-one (21) therapeutic hours of substance abuse, parenting, and child development services per week for adults, and . . .

(b) Each facility must maintain written programmatic descriptions and operational methods that include the following:

(6) Documentation:

(B) Documentation that each adult client has received a minimum of twenty-over (21) hours of therapeutic services each week, unless the woman is pregnant and the client record contains physician-approved permission for less than twenty-one (21) hours of services. . . .

(D) Records shall document the start and stop time or the amount of time spent providing each service.”

OAC 450:18-3-201 **Halfway house services for persons with dependent children** state:

“(a) Halfway house services for persons with dependent children . . . Treatment offers individualized services and treatment, clients must participate in at least six (6) hours of supportive services, parenting, and child development per week for adults. . .

(b) Each facility must maintain written programmatic descriptions and operational methods that include the following:

(6) Documentation:

(C) Ensure documentation each client (adult and child) has received a minimum of six (6) hours of service each week addressing issues/needs indicated in the assessments (parent and/or child); and

(D) Records shall document the start and stop time or the amount of time spent in providing each treatment service.

ICIS Manual 5-3 states:

“The three-digit service code corresponds to the type of service that was provided to the client or clients . . . This service code should reflect as accurately as possible, the activity in which the client participated.”

Condition: While performing site visits at six mental health facilities we noted the following:

Facility 1

Of eight client files reviewed, it appears seven clients did not receive the minimum weekly therapeutic hours for the service billed as required by the Oklahoma Administrative Code. (Questioned Costs - \$5,049).

We also noted a control weakness that for services billed as residential treatment substance abuse services, the facility was relying on sign-in sheets for documentation of who attended group therapy and the length of the meeting. Detailed documentation was not being maintained in the clients’ files; only a weekly summary of the client progress could be noted.

Facility 2

Of eight client files reviewed, we noted the following instances:

- One client had three instances in which the facility had billed for a longer period of time than documented in the client file. (Questioned costs \$120).

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- Three clients had a total of three instances in which the facility billed for individualized treatment, when the clients' files document group therapy was actually provided. (Questioned costs \$ 60).
- Four clients file had a total of four instances in which no documentation (in the file, counselors date book, or sign in sheets) could be located to support the charges billed. (Questioned costs \$300)

We also noted two clients in which the facility billed for less time than the facilities records supported.

Facility 3

While reviewing the client files we noted a control weakness in which the only documentation to support the charges billed were either a counselor's date book, or the meeting's sign-in sheet. We also noted one instance in which the length of the meeting was not documented.

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

Recommendation: We recommend the Department review the records maintained by the facilities and determine if costs should be recouped from the facility. We further recommend the Department establish and implement policies and procedures that provide for the facilities' records to be reviewed by DMHSAS to support the charges billed.

Management's Corrective Action Plan

Contact Person: Richard Bowden, Federal Funds Administrator

Anticipated Completion Date: November 1, 2002

Corrective Action Planned: The DMHSAS will develop policies and procedures to ensure that a consistent and uniform staff review of subrecipients takes place on a rotating basis. The policies and procedures will address:

- 1) the frequency of the visits
- 2) the procedures to be performed during the monitoring
- 3) the follow-ups of monitoring including findings, recommendations, and corrective action plans
- 4) the documentation of the visits

REF NO: 02-452-009

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Other

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

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

Cause: Security reports do not exist or if in existence are not reviewed to identify any unauthorized attempts to access the system.

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

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

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

Management's Corrective Action Plan

Contact Person: Leo Fortelney, Michaelle Statham

Anticipated Completion Date: July 1, 2004

Corrective Action Planned: Items are consistent with the proposed HIPAA Security Regulations. The department's objective is to develop the necessary policies and procedures that would bring the department into full HIPAA compliance.

DMHSAS will develop and implement procedures to assign and control internal system access. Furthermore, DMHSAS will develop reports to monitor these procedures and the reports will be reviewed periodically by management staff.

REF NO: 02-452-012

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT) Delivery and Support DS5, information services management should ensure systems security safeguard information against unauthorized use, disclosure, modification or damage/loss through logical access controls that restrict access to systems, data and programs.

Condition: Policies and procedures do not exist for the following areas:

- Developer and support services access rights and responsibilities
- Remote access assignment, control and monitoring

Effect: Risks have not been identified for each type of access and controls may not be adequate to prevent or detect unauthorized use of the system, disclosure of sensitive data and modification to programs.

There are several facilities that connect to the Tahlequah facility. These facilities do not have any servers or firewalls but have valid IP addresses connected to the Internet.

Recommendation: We recommend the Department of Mental Health:

- Perform a risk assessment to identify critical and sensitive data
- Develop written policies and procedures
- Implement procedures to monitor effectiveness of controls

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Management's Corrective Action Plan

Contact Person:

Anticipated Completion Date: July 1, 2004

Corrective Action Planned: Items are consistent with the proposed HIPAA Security Regulations. The department's objective is to develop the necessary policies and procedures that would bring the department into full HIPAA compliance.

DMHSAS will perform a risk assessment to identify critical and sensitive data. The assessment will include review of all central office servers and systems. Once this data is identified, we will also identify which positions have access to the data and assess whether that access is necessary and appropriate.

DMHSAS will develop written procedures for assigning access rights to all developer and support services staff. The procedures will include a "checks and balance" system to ensure no person is assigned access without proper authority. In addition to this new assignment procedure, written descriptions of the responsibilities of the developer and support services functions will be documented.

DMHSAS will develop and implement procedures to assign and control remote access. Furthermore, DMHSAS will develop reports to monitor the access and these reports will be reviewed periodically by the IS Security Administrator (future position).

DMHSAS will develop and implement procedures to securely have satellite facilities connect to there parent facility. These policy and procedures will make it against department policy to connect to the Internet without firewalls. Furthermore, DMHSAS's future policy will state that all satellites and facility will connect to the Central Administration Computer Center utilizing Private Direct Connect lines without utilizing the internet. All internet connectivity will be routed through the Central Administration Computer Center utilizing Firewalls.

REF NO: 02-452-013

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT) Delivery and Support DS11, information services management should manage data to ensure that data remains complete, accurate and valid during its input, update and storage.

Condition: ICIS (client information) and Fee For Service (billing) systems do not interface with the Oracle financial system. Client service billing information is input on the front-end by the service providers and input a second time into the financial system (Oracle) for payment.

Effect Inefficient use of resources, both human and system and increased risk of incomplete and erroneous data being entered into financial system.

Recommendation: We recommend the Department of Mental Health create an interface file to pull information from the ICIS/Fee for Service systems to input data into the Oracle system. The Department should also consider the use of electronic signatures or certification to verify the integrity and authenticity of incoming electronic documents.

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Management's Corrective Action Plan

Contact Person: Leo Fortelney, Michaelle Statham

Anticipated Completion Date: July 1, 2004

Corrective Action Planned: DMHSAS will investigate a process to electronically transmit the Fee For Service invoices into the DMHSAS Finance system thus eliminating the need for the invoice to be manually entered into the finance system.

Items are consistent with the HIPPA Security Regulations in which the department intends to develop necessary policies and procedures that would bring the department into compliance.

DMHSAS will investigate the possibilities of utilizing electronic signatures by the department's service providers. This will allow the contract providers to electronically sign an invoice thus eliminating the need to send in a paper copy. Electronic signature acceptance and implementation will ultimately reside at the Office of State Finance.

REF NO: 02-452-015

STATE AGENCY: Department of Mental Health and Substance Abuse Services

FEDERAL AGENCY: Department of Health and Human Services

CFDA NO: 93.959

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

FEDERAL AWARD NUMBER: 02B1OKSAPT

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Other

Criteria: According to the standards of the Information Systems Audit and Control Association (CobiT) Monitoring M2, information services management should assess internal control adequacy to ensure the achievement of the internal control objectives set for the IT processes on a regular basis.

Condition: Facilities input their client services data into the ICIS system though the Department's website. Facilities review and obtain their billing invoices through the website. This website has not been tested for common vulnerabilities and may allow access by unauthorized users.

Effect: Security breaches could go unnoticed because activity logs are not reviewed. Hackers could deface the web pages, redirect web traffic or gain access to the Department of Mental Health network and confidential information.

Recommendation: We recommend periodic assessment and review of the website security. Intrusion detection system or routine review of the logs should be implemented.

Management's Corrective Action Plan

Contact Person: Leo Fortelney, Michaelle Statham

Anticipated Completion Date: July 1, 2004

Corrective Action Planned: Items are consistent with the HIPPA Security Regulations in which the department intends to develop necessary policies and procedures that would bring the department into compliance.

DMHSAS is currently in the process of implementing an Intrusion Detection System. The department will develop policies and procedures for monitoring this activity.

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Department of Rehabilitation Services

REF NO: 02-805-001

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: H126A-010053, H126A-020053

FEDERAL AWARD YEAR: FFY 2001, FFY 2002

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 services 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 funds the costs incurred during the 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

Condition: We reviewed an Office of State Finance report of all deposits coded with a CFDA of 84.126 for the time period of July 1, 2001 through June 30, 2002. The report consisted of 37 deposits totaling \$41,559,167. We noted of the 37 deposits all but 1 were whole numbers (e.g. 1,000,000). These 36 deposits total \$40,500,000. In addition, we noted the transaction dates varied.

Managements stated it was aware they were not in compliance with the cash management improvement act. This is a repeat finding from fiscal years 1999 and 2000.

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

Recommendation: We recommend the Department establish 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: November 1, 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 has chosen to not modify the existing agreement and anticipates compliance by November 1, 2002.

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REF NO: 02-805-002

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: H126A-010053

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Matching, Level of Effort, Earmarking

Criteria: The State share of expenditures made by the State VR Agency under the State Plan, including expenditures for the provision of VR services and the administration of the State Plan is 21.3 percent (Sections 7(14) and 111(a)(1) of the Act (29 USC 705(14) and 731(a)(1))).

34 CFR Sec. 361.60 Matching requirements states:

(a) Federal share.

- (1) General. Except as provided in paragraph (a)(2) of this section, the Federal share for expenditures made by the State under the State plan, including expenditures for the provision of vocational rehabilitation services and the administration of the State plan, is 78.7 percent.

Condition: To ensure the matching requirement is met, the Department determines the matching amount required by each grant award and compares this to the amount of state appropriations available for the fiscal year. Based on the Department's grant award amount for the federal fiscal year ending September 30, 2002, the required state match was \$9,954,746. However, documentation provided by the Department indicates only \$9,896,558 in state appropriations was budgeted for the VR program.

Cause: The state incurred significant revenue shortfalls during the fiscal year. As a result, state appropriations to all agencies were reduced. Therefore, state funds originally budgeted to meet the program matching requirement were not available.

In addition, the method used by the Department to ensure the matching requirement is met does not appear to be adequate. This method does not appear adequate as it does not account for actual expenditures incurred, and the grant award period and the state fiscal year are different (October 1 through September 30 vs. July 1 through June 30); therefore, a comparison of the two amounts would not yield reliable results.

Effect: The Department is not in compliance with the program matching requirement.

Recommendation: We recommend the Department change the method it uses to ensure the matching requirement is met. We recommend the matching requirement be determined from actual expenditures incurred rather than the grant award total. This could be accomplished by tying the matching requirement with the Department's compliance with cash management draw procedures. For example, if during the quarter ended September 30 the Department determines it incurred \$5,000,000 in allowable expenditures then the federal draws made by the Department for the quarter should equal \$3,935,000, or 78.7%.

Management's Corrective Action Plan

Contact Person: Kevin Statham, Accountant

Anticipated Completion Date:

Corrective Action Planned: The Agency was unable to absorb State Budget reductions without impacting programs that required minimum match levels. The method, addressed in the recommendation, does allow for anticipated costs of state share to be associated with actual expenditures. The method further allows the Agency to maximize the usage of Federal dollars allocated to the program. The Agency will reevaluate the documentation so that specific expenditures will be attributable to State match funding.

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REF NO: 02-805-003

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: 84.126A010053

CONTROL CATEGORY: Reporting

QUESTIONED COSTS: \$-0-

Criteria: Instructions to the SF-269 report indicate that total program outlays should be based on actual cash disbursements for the quarter.

Condition: During a review of the Department's reporting procedures we noted:

- 1) The amount reported as "Total Outlays" on the Department's SF-269 report are based upon information obtained from the Warrants Issued report. This report includes all expenditures made by the Department with those applicable to the Vocational Rehabilitation Grants to State Program identified by various account codes. At the end of each federal fiscal year, the Department makes adjustments to the Warrants Issued report by reclassifying expenditures, some of which affect the account codes used to compute the Vocational Rehabilitation Grants to States Program expenditures. The adjustments cover the entire federal fiscal year. Once all adjustments for the year are made, an amended SF-269 report for the quarter ending September 30 is submitted based on the adjusted amounts. For the federal fiscal year ending September 30, 2001 the adjustment made was \$ 1,237, 989.
- 2) The Department was unable to provide documentation supporting the adjustments made to the Warrants Issued report.
- 3) Department personnel stated that the amount reported as the recipient share of outlays on the SF-269 report is based upon a calculation. The calculation determines the state's share of the annual federal allotment and one-fourth of the calculated state share is then reported as the recipient share of outlays on each quarterly SF-269 report. However, the amounts reported on the quarterly SF-269 reports did not agree to the calculation. We were unable to determine the source of the amounts reported as the recipient share of outlays.
- 4) One account representing approximately \$23,500 was omitted in the calculation of Vocational Rehabilitation Grants to States Program expenditures.

Effect: Information reported on the quarterly SF-269 reports may be inaccurate.

Recommendation:

- 1) To ensure the total outlays reported on each quarterly SF-269 are accurate, we recommend the Department make all necessary adjustments to the Warrants Issued report on at least a quarterly basis, preferably monthly.
- 2) We recommend the Department maintain proper documentation to support adjustments made to the Warrants Issued report.
- 3) We recommend the Department maintain proper documentation to support the recipient share of outlays reported on the quarterly SF-269 reports. In addition, to ensure the information is as accurate as possible, we recommend the Department report actual state expenditures on the SF-269 rather than an estimate based on the one-fourth of the calculated state share.
- 4) We recommend the Department ensure all applicable accounts are included in the calculation of Vocational Rehabilitation Grants to States Program expenditures.

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Management's Corrective Action Plan

Contact Person: Kevin Statham, Program Accountant

Anticipated Completion Date:

Corrective Action Planned: The Warrants Issued report provides a consistent basis for estimation. Estimates are used for cash management and quarterly reporting. Once the federal coding is reconciled to the agency's financial statements and OSF, the warrant report is replaced by the VR-011 as the

source of the agency's federal financial position. The adjustments, typically, have occurred on an annual basis so that all adjustments to the program are captured once. The Agency will look at how to adjust on a more frequent timetable, although reconciling back to the Warrant report is viewed as an unnecessary occurrence. The VR-011, the annual SF-269 and subsequent RSA-2 reconcile to the Agency's financial document of record. The Agency will reevaluate the documentation so that specific expenditures will be attributable to State match funding.

REF NO: 02-805-005

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: H126A-010053, H126A-020053

FEDERAL AWARD YEAR: FFY 2001, FFY 2002

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$35,460

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

To be allowable under Federal awards, costs must meet the following general criteria:

- j. Be adequately documented

34 CFR 361 Section 45(a) Development of the individualized plan for employment states:

- (2) Services will be provided in accordance with the provisions of the IPE.

Oklahoma Administrative Code (OAC) 612:10-7-153 Textbook allowance for college and university students states:

- (a) A textbook allowance may be provided for clients based on the number of credit hours taken per semester. The rate, established by the Oklahoma Commission for Rehabilitation Services, will be adjusted yearly at 200% of the Consumer Price Index as established by the U.S. Secretary of Labor. If the textbook allowance does not cover the total cost of necessary textbooks for any client, a direct client payment will be made to cover the balance. The client will be required to furnish documentation of the remaining balance before an authorization will be issued to cover it.

OAC 612:10-7-152 Payment of tuition and fees at college and universities states:

- (a) Tuition and fees for DVS and DVS clients attending colleges and universities will be paid at the rate set for resident students by the Oklahoma Regents for Higher Education and approved by the Legislature. . . . No authorization will be issued for tuition and fees until the client submits the applicable grade report, enrollment, and award letter.

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OAC 612:10-7-130 Maintenance

- (a) General guidelines. Maintenance is a supportive service . . . Maintenance, including payments, may not exceed the cost of documented expenses to the individual resulting from service provision.

Condition: While reviewing 66 client case files (750 payments) we noted the following items:

- 8 clients (14 payments) did not contain documentation for books paid directly to clients. (Questioned Costs \$4,002.24)
- 10 clients (14 payments) did not contain the applicable grade report, enrollment, and/or award letter for tuition costs paid. (Questioned Costs \$21,508.14)
- 1 client (1 payment) in which we could not locate documentation for a payment made to a client for testing fees. Documentation in the file indicates the information supporting testing charges was faxed; however, we were unable to locate the fax in the file. (Questioned Costs \$252.50)
- 1 client (3 payments) did not contain supporting documentation for maintenance services. (Questioned Costs \$300.00)
- 1 client (1 payment) in which the service appears to have been coded as clothing; however, supporting documentation indicates the payment was for tuition. In addition, we were unable to locate the applicable grade report for these tuition costs. (Questioned Costs \$177.95)
- 1 client (1 payment), in which we were able to locate the client's enrollment slip; however, we could not locate the client's grades. Upon reviewing the file, we found a note by the counselor that indicates the client called and cancelled the classes; however, we could not find documentation were the client paid the funds back to the Department or that they were credited against future payments. (Questioned Costs \$199.95)
- 1 client (2 instances), in which the client's Individualize Plan for Employment (IPE) indicates the tuition services ended on 5/99; however, we found payments for tuition to the client after this date. (Questioned Costs \$6,330.85)
- 1 client (1 payment) in which the client's grades state the client finished 4 hours, but the Department paid for 9 hours. We could not find documentation the funds were paid the funds back to the Department or that the funds were credited against future payments. (Questioned Costs \$326.40)
- 1 client (7 payments) in which the client received funds for medical services; however, the client's IPE stated that these services would be paid for by family resources. (Questioned Cost \$190.40)
- 1 client (1 payment) in which the services paid by the Department were not discussed in the client's IPE. (Questioned Costs \$119.87)
- 1 client (1 payment) in which the payment appears to have been coded as books; however, the supporting documentation (visa receipt) indicates the charges were for tuition. In addition, we could not locate enrollment or grade reports for this charge. (Questioned Costs \$168.40).
- 1 client (1 payment) we could not find documentation to support the transportation of a class project. (Questioned Costs \$500.00)
- 1 client (2 payments) received over \$1800 in payments for supplies; however, the IPE states that DRS will only pay for \$500 in supplies. (Questioned Costs \$1,383.18)

Effect: The charges authorized by the counselors may not be allowable activities.

Recommendation: We recommend the Department review it's policies with the counselors to re-enforce the necessity of maintaining adequate/required documentation for payments made to or on behalf of their clients. We further recommend, that when area counselor's visit eligibility locations, they review case files to determine if the counselors are maintaining adequate documentation for client payments.

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Management's Corrective Action Plan

Contact Person: Lynda Collins, Division Administrator for Division of Vocational Rehabilitation and Jane Nelson, Division Administrator for Division of Visual Services

Anticipated Completion Date: Spring 2002

Corrective Action Planned: Your recommendation that DRS discuss the eligibility requirements with the counselors to enforce the importance of complying with the federal regulations has already been addressed. Each of the cases that were noted on your audit finding sheet was processed prior to Spring 2002. During Spring 2002, both the Division of Vocational Rehabilitation and the Division of Visual Services conducted Focus Trainings to address key issues related to federal compliance and quality case management.

We have training objectives in place to continue with Focus Training in the future and will continue to emphasize the need to follow the guidelines in both federal regulations and DRS policy.

REF NO: 02-805-006

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: H126A-010053, H126A-020053

FEDERAL AWARD YEAR: FFY 2001, FFY 2002

CONTROL CATEGORY: Activities Allowed or Unallowed

QUESTIONED COSTS: \$-0-

Criteria: Oklahoma Administrative Code (OAC) 612:10-7-131 Transportation states:

- (2) Private transportation. Reimbursement for use of a private vehicle is negotiated up to the rate allowed by the State Travel Reimbursement Act and is authorized directly to the client. In these instances, mileage will be restricted to the most direct route and to the least possible number of trips.

OAC 612:10-7-102 Dental Services states:

- (a) Physical restoration services to correct a dental condition may be provided for those individual determined to have an impediment to employment as described in 612:10-5-11.

OAC 612:10-5-11 Dental and maxillofacial conditions states:

For dental, maxillofacial, or temporomandibular joint condition to meet eligibility criteria, it must result in a substantial impediment to employment. Supervisory review is required of any eligibility determination in which the primary disability is dental. Treatment of any of these conditions may also be provided under intercurrent illness policy. Treatment may be provided when:

- (1) necessary to correct or substantially modify a condition which is stable or slowly progressive and constitutes an impediment to employment; and
- (2) when such correction or modification may reasonable be expected to eliminate or reduce the impediment to employment within a reasonable length of time.

Condition: During our review of 66 client case files (750 payments), we noted the following internal control weaknesses:

- 1 client (2 payments) in which the charges were described as maintenance; however, the charges were for tuition.

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- 1 client (2 payments) in which the charges were described as other; however, the charges were for training.
- 1 client (25 payments) in which we could not determine that dental issues were the primary disability as required by OAC policy.
- 6 clients (18 payments) in which documentation to support the medical services could not be found in the client file. According to Department personnel, this is not a requirement unless the services relate to eligibility determination.
- 8 clients (46 payments) in which payments were made for transportation services; however, we could not find documentation to support the number of miles, and reimbursement rate used by the counselor to calculate the payment made to the client. Without this information, we are unable to determine the rate used was no less than the Travel Reimbursement Act and the most direct route and least possible number of trips were used.

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

Recommendation: We recommend the Department review its internal policies and revise as necessary to require documentation is provided to the counselors or by the counselors to support charges made to or on behalf of the clients.

Management's Corrective Action Plan

Contact Person: Lynda Collins, Division Administrator for Division of Vocational Rehabilitation and Jane Nelson, Division Administrator for Division of Visual Services

Anticipated Completion Date:

Corrective Action Planned: We recognize that your recommendation to review our internal policies related to documentation, particularly on direct client payments should be addressed. Your findings are being forwarded to our Service Improvement Committee that formalized and changes policies directives and procedures. We will make this a top priority for our next policy cycle.

REF NO: 02-805-007

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: H126A-010053

FEDERAL AWARD YEAR: 2001

CONTROL CATEGORY: Eligibility, Activities Allowed or Unallowed

QUESTIONED COSTS: \$21,587

Criteria: 34 CFR § 361.41. Processing referral and applications states:

(b) Applications.

- (1) Once an individual has submitted an application for vocational rehabilitation services, including applications made through common intake procedures in One-Stop centers established under section 121 of the Workforce Investment Act of 1998, an eligibility determination must be made within 60 days, unless –
 - (i) Exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; . . .

34 CFR § 42 Assessment for determining eligibility and priority for services.

(a) Eligibility requirements.

- (1) Basic requirements. The designated State unit's determination of an applicant's eligibility for vocational rehabilitation services must be based only on the following requirements:

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- (i) A determination by qualified personnel that the applicant has a physical or mental impairment.
- (ii) A determination by qualified personnel that the applicant's physical or mental impairment constitutes or results in a substantial impediment to employment for the applicant.
- (iii) A determination by a qualified vocational rehabilitation counselor employed by the designated State unit that the applicant requires vocational rehabilitation services to prepare for, secure, or retain, or regain employments consistent with the applicant's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

Oklahoma Administrative Code (OAC) 612:10-7-50

(b) Case recording requirements.

- (2) **Comprehensive assessment.** A comprehensive assessment will be done in every case. It is conducted once the individual has been accepted as eligible for VR services. . . .

Condition: During our review of 66 client case files we noted the following items:

- 2 cases in which the eligibility determination date was not within 60 days of the application date, nor could we find documentation an extension was given. We were also unable to locate a completed financial disclosure statement form for one of these clients.
- 1 case in which the eligibility determination date was not within 60 days of the application date, an extension was filed; however, the determination data appears to be after the extension date as well.
- 2 cases in which we could not locate a comprehensive assessment form; documentation the client has a physical or mental impairment that constitutes or results in a substantial impediment to employment, or the client can benefit in terms of an employment outcome from VR services, or requires VR services to prepare for, secure, retain, or regain employments. We were also unable to locate a completed financial disclosure statement form for one of these clients.

Effect: Services may have been provided to clients not eligible for program services.

Recommendation: We recommend the Department discuss the eligibility requirements with the counselors to enforce the importance of complying with the federal regulations.

Management's Corrective Action Plan:

Contact Person: Lynda Collins, Division Administrator for Division of Vocational Rehabilitation and Jane Nelson, Division Administrator for Division of Visual Services

Anticipated Completion Date: Spring 2002

Corrective Action Planned: Your recommendation that DRS discuss the eligibility requirements with the counselors to enforce the importance of complying with the federal regulations has already been addressed. Each of the cases that were noted on your audit finding sheet was processed prior to Spring 2002. During Spring 2002, both the Division of Vocational Rehabilitation and the Division of Visual Services conducted Focus Trainings to address key issues related to federal compliance and quality case management.

We have training objectives in place to continue with Focus Training in the future and will continue to emphasize the need to follow the guidelines in both federal regulations and DRS policy.

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REF NO: 02-805-008

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: H126A-020053

FEDERAL AWARD YEAR: 2002

CONTROL CATEGORY: Allowable Costs/Cost Principles

QUESTIONED COSTS: \$-0-

Criteria: OMB A-87 Attachment B– Selected Items of Cost, Section h. *Support of salaries and wages* states:

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.”

Condition: The Department does not maintain Certifications on employees charged directly (solely) to the program.

Effect: Persons may be charged directly to a program, when in fact they perform functions for multiple programs.

Recommendation: We recommend the Department maintain certifications on all employees charged directly to the program as required by OMB-87.

Management’s Corrective Action Plan

Contact Person: Kevin Statham, Accountant

Anticipated Completion Date: June 30, 2003

Corrective Action Planned: The Department concurs with the finding. The Department will establish a semi-annual certification process to account for the direct charged employees of the federal programs.

Department of Transportation

REF NO: 02-345-013

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA: 20.205

FEDERAL PROGRAM NAME: Federal Highway Planning and Construction

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: The process of transferring project costing information from the TRNS*Port system (used in District offices to track project cost and percentage of completion information) to FMS (Financial Management System) is manual.

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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 develop an automated process of transferring the information from the TRNS*port system to the FMS with procedures that include controls to ensure:

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

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date:

Corrective Action Planned: Members of the Programming Branch of the Information Services Division have been working towards developing an automated transfer process with Comptroller Division and with CAS software. Analysis of data formats from within TRNS*Port as they compare to the current FMS system is on-going. Test data will be solicited to populate tables to verify that all data has been accounted for. This process is expected to be completed by August 2003.

REF NO: 02-345-014

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA: 20.205

FEDERAL PROGRAM NAME: Federal Highway Planning and Construction

CONTROL CATEGORY: Other

Criteria: According to the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT) Acquisition and Implementation objective #6, management should ensure that change management and software control and distribution are properly integrated with a comprehensive configuration management system. The system should be automated to support the recording and tracking of changes made to large, complex information system.

Condition: The Department's change control process for the FMS System is not integrated with the system. The current procedures consist of manual recording of users requests that is updated with completion date by the programmers once the task is completed. The implemented changes are not reviewed, approved or verified by management via the system. The current change management process does not effectively verify that only authorized changes are made to data and program files. There is no tracking of changes made to the files and matched back to a request. No user acceptance and approval of requested changes are formally documented.

Effect: Increase risk of inaccurate federal funds billing and reporting as well as inaccuracies in other financial data. Weak internal control structure. Data could be lost or altered during the process and may not be discovered and corrected. Unauthorized program changes may be implemented into production.

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Recommendation: We recommend Department of Transportation develop a change management system which provides for the analysis, implementation and follow-up of all changes requested and made to the existing IT infrastructure and takes into consideration:

- Identification of changes
- Categorization, prioritization and emergency procedures
- Impact assessment
- Change authorization
- Release management
- Software distribution
- Use of automated tools
- Configuration management
- Business process redesign

Management's Corrective Action Plan

Contact Person: David Ooten

Anticipated Completion Date:

Corrective Action Planned: The FMS change control process is usually requested by the user and modifications are made to the system only at user request. These changes are only accepted when authorized by proper ISD authoritative levels. These modifications are trackable to the requesting user through proper or electronic correspondence, and also to the programmer performing the changes (when authorized to do so by ISD management) through comments placed into the file indicating tracking number, change made, programmer making change, and date the change(s) was made. Upon completion, the programmer notifies the Asst. Division Manager that the request was completed. The manger then updates the control log appropriately.

The capability of the current system does not allow for this process to be integrated automatically. However, to make a good faith effort to comply with the recommendations of this finding, ISD will modify it's process and have the Asst. Division Manager also notify the Division Engineer that a change request has been completed and details of any changes made. This should complete the tracking circle and increase the security levels authorizing the changes. It will also verify the type of changes made and ensure that no security issues exist.

REF NO: 02-345-023

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA: 20.205

FEDERAL PROGRAM NAME: Federal Highway Planning and Construction

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.

Schedule of Findings Federal Award Findings And Questioned Costs

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:

Corrective Action Planned: Manpower constraints do not allow the ISD to specifically segregate duties within each of the supported systems. ISD responds to requests for changes in these systems through chain of command. A log of requests and actions is kept by ISD documenting these changes. Weekly reconciliation provides the opportunity to examine the systems at this level.

REF NO: 02-345-024

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA: 20.205

FEDERAL PROGRAM NAME: Federal Highway Planning and Construction

CONTROL CATEGORY: Other

Criteria: The Information Systems Audit and Control Associations, 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:

3. Information Services Division does not have written policies and procedures for setting up new users.
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 information. 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:

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- 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: 4/1/03

Corrective Action Planned:

1. Unwritten procedures do exist for user set-ups. Documentation requesting user Ids and set-ups are received via e-mail and are retained either in electronic form or hard copy. A change control number is assigned for job assignment and tracking the status and completion of the task. The requesting manager is informed when the set-up is complete.
2. ISD will request appropriate Divisions to review their access to verify that employee access is commensurate with job duties/descriptions annually. The first access list will be provided to Divisions by 4/1/03 for their review.

REF NO: 02-345-034

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

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

Criteria: 67 O.S. 2001 § 206.A., states, in part:

The head of each agency shall...Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities...

Condition: The Department does not have written procedures defining work to be performed in field divisions and in the comptroller division.

Effect: Each field division maintains records differently. Based on our observation, there was no consistency between divisions in the format of information maintained, layout of project files, naming of files, filing methodologies used, and location of records. Employees responsible for auditing project files did not maintain documentation of their review in a consistent format between field divisions. Some employees do not appear to have a full understanding of assigned tasks. The Department cannot be assured that employees are performing tasks as assigned and intended.

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Recommendation: We recommend the Department develop procedures for the comptroller and field divisions regarding work to be performed, employee tasks and responsibilities, which would result in a more uniform and consistent documentation of transactions.

Management's Corrective Action Plan

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

Anticipated Completion Date: July 1, 2003

Corrective Action Planned: The department will develop consistency in construction and documentation of project files that are located throughout ODOT. Because the various work units maintain a "working" project file, which may be used to develop the permanent file upon completion of the project, no effort will be made to construct a central file process.

REF NO: 02-345-035

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

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 1,219 federally participating projects had no claim activity since July 1, 2001. The final voucher for these projects has not been prepared as of June 30, 2002.

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: J. Michael Patterson, Assistant Director - Finance

Anticipated Completion Date: n/a

Corrective Action Planned: The department changed the priority assigned to project finalizations in March 2002. Since that change more than 1,000 projects have been submitted to the Federal Highway Administration for their approval and closure. Because the corrective action was taken in the fourth quarter of the audit year the results of the priority change had not been recorded on June 30, 2002.

REF NO: 02-345-038

STATE AGENCY: Department of Transportation

FEDERAL AGENCY: Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

CONTROL CATEGORY: Davis-Bacon Act

Criteria: Oklahoma Department of Transportation Construction Control Directive Number 971114 states:

Schedule of Findings Federal Award Findings And Questioned Costs

...Interview project workers periodically as to hourly rate of pay and compare to the payrolls to ensure that at least, the minimum hourly rate is paid...A minimum of ten percent of all workers should be interviewed during the course of the project...

Condition: Documentation of interviews (E-1 form) were not present or less than ten percent of contractor employees were interviewed as to hourly rate of pay for 45 of 54 projects tested.

Effect: It appears that the control as defined by control directive number 971114 is not operating effectively.

Recommendation: We recommend the Department ensure that project workers are interviewed as directed by the Oklahoma Department of Transportation Construction Control Directive Number 971114. We also recommend the Department implement procedures to monitor compliance with Control Directive Number 971114.

Management's Corrective Action Plan

Contact Person: George T. Raymond – Construction Division

Anticipated Completion Date:

Corrective Action Planned: Concur. The Department will conduct a half-day training session for residency personnel (and their supervisors) who manage the receipt of payrolls and E-1 Forms, this Summer. The training will include examples of successful procedures in use for their consideration for implementation in their offices. Additionally, the Department is currently implementing the Site Manager construction management program, which may enhance the monitoring of Davis-Bacon requirements on construction projects. The software would provide assistance in monitoring the completion and submission of the E-1 Form to ensure the interviews have been conducted in a timely manner.

REF NO: 02-345-040

STATE AGENCY: Oklahoma Department of Transportation

FEDERAL AGENCY: United States Department of Transportation

CFDA NO: 20.205

FEDERAL PROGRAM NAME: Highway Planning and Construction

CONTROL CATEGORY: Davis-Bacon Act

QUESTIONED COSTS: Unknown

Criteria: 29 CFR part 5 Section 5.5 states in part:

... The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls ...

OMB Circular A-133 Subpart B § __.210 (f) states in part:

... the auditee is responsible for ensuring compliance for vendor transactions which are structured such that the vendor is responsible for program compliance or the vendor's records must be reviewed to determine program compliance ...

OMB Circular A-133 Subpart C § __.300 (b) and (c) state:

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

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provisions of contracts or grant agreements related to each of its Federal programs.

The Department has established Oklahoma Department of Transportation Construction Control Directive Number 971114 to ensure compliance with 29 CFR part 5 Section 5.5 and OMB Circular A-133 Subpart B §_210 (f) and Subpart C §_300 (b) (c). It states in part:

...Submittal of payrolls is a contractual requirement. You must ensure that they are submitted...

Condition: No payrolls were submitted by the contractors for two projects out of 55 tested. Also, less than 90% of the contractor's days on site were accounted for on contractor payrolls for 16 of the 55 projects tested.

Percentage Range	Number of Projects
0 to 10%	2
60 to 69%	3
70 to 79%	5
80 to 89%	6
Total	16

Effect: The Department cannot be reasonably assured that the contractor responsible for program compliance has complied since payrolls were not submitted. Department employees have not ensured that payrolls were submitted as required.

Recommendation: We recommend that the Department of Transportation investigate to determine the cause of the non-compliance with policy. Once the cause is identified, we further recommend the Department make changes as necessary to its current procedures.

Management's Corrective Action Plan

Contact Person: George T. Raymond – Construction Division

Anticipated Completion Date:

Corrective Action Planned: Concur. The Department will conduct a half-day training session for residency personnel who manage the receipt of payrolls and their supervisors this summer. The training will include examples of successful procedures in use for their consideration for implementation in their offices. Additionally, the Department is evaluating the CHAMPS software which will interface with the SiteManager program currently being implemented, to enhance the monitoring of Davis-Bacon requirements on construction projects. The software would provide for electronic submission of payrolls from the contractor to the Department, their analysis for completion, verification of data, timely notification of deficiencies, etc.

Schedule of Findings Federal Award Findings And Questioned Costs

Department of Veterans Affairs

REF NO: 02-650-001

STATE AGENCY: Oklahoma Department of Veterans Affairs

FEDERAL AGENCY: Department of Veterans Affairs

CFDA NO: 64.005

FEDERAL PROGRAM NAME: Grants to States for Construction of State Home Facilities

FEDERAL AWARD NUMBER: FAI# 40-016; FAI# 40-017; FAI# 40-018; FAI# 40-020

FEDERAL AWARD YEAR:

CONTROL CATEGORY: Davis-Bacon Act

QUESTIONED COSTS: \$0-

Criteria: According to 29 CFR Section 5.5(a)(1)(iv)(3)(ii)(A), “The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls. . . , the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be. . . .” According to 29 CFR Section 5.5(a)(1)(iv)(3)(ii)(B), “Each payroll submitted shall be accompanied by a ‘Statement of Compliance,’ signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract. . . .”

According to Standard Operating Procedure #372, with an action date of August 1990 and revision date of April 2001:

All federally-assisted construction contracts of the Oklahoma Department of Veterans Affairs are awarded by and through the Oklahoma Office of Public Affairs. All such contracts contain within the project specifications, the Davis-Bacon and Copeland Acts Compliance Requirements including a Federal and State Wage Rate Determination applicable to the project with the requirement that the higher wage be paid if conflicts exist between the federal and state wage rates. Additionally, such contract project specifications require project contractors and subcontractors to submit weekly payrolls applicable to the project including a properly executed weekly statement of compliance to the Oklahoma Department of Veterans Affairs.

The architectural and administrative representatives of the Oklahoma Department of Veterans Affairs providing oversight on such federally assisted construction projects shall review the aforementioned payroll certifications and wage rates for compliance and promptly initiate action through appropriate authorities for the prompt resolution of any discovered deficiencies in compliance.

In addition to the above, it shall be the policy and procedure of the Oklahoma Department of Veterans Affairs to require the. . . properly executed Davis-Bacon Act Periodic Certification to be included by the contractor and all applicable subcontractors as an attachment to each periodic (generally monthly) pay request for work performed on said projects by the contractors.

Condition: During our evaluation of the internal controls for the agency, it was noted that although the agency does have written policies and procedures for monitoring compliance with the requirements of the Davis-Bacon Act, these policies and procedures are not being adhered to.

Effect: The agency is not in compliance with the requirements of the Davis-Bacon Act and the agency’s own internal policies and procedures.

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Recommendation: We recommend the agency initiate steps immediately to bring the agency into compliance with the requirements of the Davis-Bacon Act. The first step in this process should be to designate someone as monitor to ensure steps are taken to obtain compliance.

Management's Corrective Action Plan

Contact Person: Steve Diffie

Anticipated Completion Date:

Corrective Action Planned: The ODVA agrees with the findings. Effective immediately, the agency will comply with 29 CFR and ODVA SOP #372 and meet the requirements of the Davis Bacon Act. The architectural and administrative representatives will provide the necessary program oversight to ensure that payroll certifications and wage rates are reviewed and that any non-compliance issues are quickly resolved. Additionally, ODVA representatives will review the weekly-submitted payrolls and ensure that the Weekly Statement of Compliance is received and properly executed.

Summary Schedule of Prior Findings

Summary Schedule of Prior Findings

Note: Schedule is presented alphabetically by state agency.

Department of Central Services

Finding No: 97-580-037

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

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

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: 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.

Finding No: 01-580-001

CFDA: 39.003

Federal Agency: General Services Administration

Control Category: Special Tests and Provisions - Inventory

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

Status: Corrected. 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 and reconciled and

Summary Schedule of Prior Findings

reviewed to ensure the inventory system is operating appropriately and the integrity of the inventory data is maintained

Finding No: 01-580-003

CFDA: 39.003

Federal Agency: General Services Administration

Control Category: Eligibility

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

Status: Corrected. Guidelines for eligibility from the Code of Federal Regulations (CFR) as well as an “Eligibility Application Check List” have been included in the policy and procedures. The checklist is and will continue to be used as a guideline for approving eligibility. Staff members who process and approve eligibility have been to GSA Eligibility and Compliance Training classes and will continue to attend refresher courses when courses are offered.

Finding No: 01-580-004

CFDA: 39.003

Federal Agency: General Services Administration

Control Category: Reporting

Finding Summary: 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.

Status: Corrected. 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 and reconciled and reviewed to ensure the inventory system is operating appropriately and the integrity of the inventory data is maintained. The quarterly 3040 Report and the annual Schedule of Expenditures of Federal Awards are reconciled to the monthly balancing reports prior to submission to GSA and OSF respectively.

Finding No: 01-580-005

CFDA: 39.003

Federal Agency: General Services Administration

Control Category: Special Test and Provisions – Fair and Equitable Distribution and Fees

Finding Summary: 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.

Status: Not corrected. DCS has submitted a rewrite of the State Plan of Operation to GSA but has not received approval from GSA to date. Included in the State Plan of Operation are suggested changes to increase the allowable percentage of service charges.

Finding No: 01-580-006

CFDA: 39.003

Federal Agency: General Services Administration

Control Category: Special Test and Provisions – Fair and Equitable Distribution and Fees

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

Status: Not corrected. DCS has submitted a rewrite of the State Plan of Operation to GSA but has not received approval from GSA to date. 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 7+ years ago. DCS is currently maintaining an informal item request list where donees request specific items.

Finding No: 01-580-009

CFDA: 39.003

Federal Agency: General Services Administration

Control Category: Special Test and Provisions – Compliance and Utilization

Finding Summary: 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.

Summary Schedule of Prior Findings

Status: Corrected. All aircraft files have been reorganized; logs and spreadsheets are compiled and maintained to facilitate tracking and compliance inspections of aircraft.

Department of Education

Finding No: 96-265-003

CFDA: All Federal Programs

Federal Agency: 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: 00-265-002

CFDA: 84.027, 84.173

Federal Agency: 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: Corrected.

Finding No: 00-265-009

CFDA: 84.010, 84.027, 84.173, 84.340

Federal Agency: Department of Education

Control Category: Other

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

Status: Corrected. The individual divisions have implemented complete disaster recovery plans; however, the agency has not compiled the various plans into a unified agency-wide disaster recovery plan.

Finding No: 01-265-007

CFDA: 84.010

Federal Agency: Department of Education

Control Category: Subrecipient Monitoring, Special Test and Provisions-Comparability

Finding Summary: The Department had no written procedures addressing its monitoring efforts nor did they monitor 1/3 of the Title I subrecipients during the fiscal year, which was the Department's policy.

Status: Corrected.

Finding No: 01-265-008

CFDA: 84.027, 84.173

Federal Agency: Department of Education

Control Category: Subrecipient Monitoring

Finding Summary: 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.

Status: Corrected.

Summary Schedule of Prior Findings

Finding No: 01-265-010

CFDA: 84.027, 84.173, 84.010, 84.340 (This could potentially affect all Federal programs)

Federal Agency: Department of Education

Control Category: Other

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

Status: Corrected.

Oklahoma 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.

Finding No: 00-290-03S

CFDA: 17.253

Federal Agency: 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: Corrected

Finding No: 00-290-04S

CFDA: 17.253

Federal Agency: Department of Labor

Questioned Costs: Unknown

Control Category: Earmarking

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

Status: Corrected

Finding No: 00-290-07S

CFDA: 17.253

Federal Agency: 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: Corrected

Finding No: 00-290-08S

CFDA: 17.253

Federal Agency: 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: Corrected

Finding No: 00-290-09S

CFDA: 17.253

Federal Agency: 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.

Summary Schedule of Prior Findings

Status: Corrected

Finding No: 00-290-12S

CFDA: 17.250

Federal Agency: Department of Labor

Control Category: Procurement

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

Status: Corrected

Finding No: 01-290-001

CFDA: 17.250

Federal Agency: Department of Labor

Control Category: Reporting

Finding Summary: We noted that the records compiled and maintained by the Employment Security Commission for its performance report at 6/30/01 did not agree with the annual report ending 6/30/01.

Status: Corrected

Finding No: 01-290-002

CFDA: 17.255

Federal Agency: Department of Labor

Control Category: Reporting

Finding Summary: 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.

Status: Corrected

Finding No: 01-290-003

CFDA: 17.255

Federal Agency: Department of Labor

Control Category: Eligibility

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

Status: Corrected

Finding No: 01-290-004

CFDA: 17.255

Federal Agency: Department of Labor

Control Category: Eligibility

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

Status: Corrected

Finding No: 01-290-005

CFDA: 17.255, 17.253

Federal Agency: Department of Labor

Control Category: Subrecipient Monitoring

Finding Summary: 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.

Status: Corrected

Summary Schedule of Prior Findings

Department of Health

Finding No: 01-340-001

CFDA: 93.777

Federal Agency: Department of Health and Human Services

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

Questioned Costs: \$-0-

Finding Summary: During testing of 40 providers, we noted 27 instances in which the required health and safety standards survey was not completed within the required 15-month time period.

Status: Corrected as of December 2002.

Oklahoma Health Care Authority

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: Corrected

Finding No: 01-807-004

CFDA: 93.767, 93.778

Federal Agency: Department of Health and Human Services

Control Category: Other

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

Status: Corrected

Finding No: 01-807-005

CFDA: 93.767, 93.778

Federal Agency: Department of Health and Human Services

Control Category: Other

Finding Summary: Employee profiles could not be obtained from the Authority's fiscal agent.

Status: Corrected

Finding No: 01-807-006

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs/Cost Principles

Finding Summary: The State Drug Rebate Quarterly invoices were 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.

Status: Corrected

Finding No: 01-807-013

CFDA: 93.778

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed, Special Tests and Provisions – Health and Safety Standards

Finding Summary: One long-term care facility received Medicaid payments even though we were unable to ensure the facility was an eligible Medicaid provider.

Summary Schedule of Prior Findings

Status: Corrected. The facility in question has been closed. OHCA has implemented a database that monitors and alerts the agency of delinquent inspection reports. This allows the agency to take necessary remedial actions until such inspection report is submitted. Regarding the questioned 1.5 million dollars, this item has not been resolved. At this time, no determination has been made to the actual date of and notification of facility decertification.

Department of Human Services

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

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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

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

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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

Summary Schedule of Prior Findings

Finding No: 98-830-039

CFDA: 93.596

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

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. Furthermore, the Cost Allocation Plan itself is modified frequently to adapt to changes.

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. OK-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 funding in general and not a particular financing source. OK-DHS believes that the current system is desirable and does not anticipate any changes.

Summary Schedule of Prior Findings

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: Corrected.

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: Corrected

Finding No: 00-830-015

CFDA: 93.658

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: 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: Corrected.

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. Efforts are underway to produce a comprehensive report early in calendar year 2003.

Finding No: 00-830-023

CFDA: 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Period of Availability, 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. In addition, because we were unable to

Summary Schedule of Prior Findings

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. OK-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 funding in general and not a particular financing source. OK-DHS believes that the current system is desirable and does not anticipate any changes.

Finding No: 01-830-003

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

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

Status: Corrected.

Finding No: 01-830-004

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Finding Summary: 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.

Status: Partially corrected. Case documentation is an on-going process.

Finding No: 01-830-008

CFDA: 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Finding Summary: Of 72 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 Benefits Transfer (EBT) project for Child Care is well underway with approximately 42% of the cases rolled out including the Tulsa area. The remainder of the State will be activated as soon as feasible.

Finding No: 01-830-016

CFDA: 93.658

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs and Cost Principles

Finding Summary: 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.

Status: Corrected.

Finding No: 01-830-017

CFDA: 93.659

Federal Agency: Department of Health and Human Services

Control Category: Allowable Costs and Cost Principles

Finding Summary: 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.

Summary Schedule of Prior Findings

Status: Corrected.

Finding No: 01-830-018

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: We noted various errors during our testwork of the data reported on the TANF Data Report (ACF-199):

Status: Not corrected, see current year finding 02-830-013.

Finding No: 01-830-019

CFDA: 93.575, 93.596

Federal Agency: Department of Health and Human Services

Control Category: Period of Availability

Finding Summary: We were unable to determine which program funds were used to pay for individual claims. As a result, we were unable to test the period of availability requirement on an individual transaction level.

Status: Not corrected. OK-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 funding in general and not a particular financing source. OK-DHS believes that the current system is desirable and does not anticipate any changes.

Finding No: 01-830-020

CFDA: 93.659

Federal Agency: Department of Health and Human Services

Control Category: Eligibility

Finding Summary: 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. In addition, 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.

Status: Corrected.

Finding No: 01-830-021

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed or Unallowed and Eligibility

Finding Summary: 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.

Status: Not Corrected, see current year findings 02-830-010.

Finding No: 01-830-023

CFDA: 93.558

Federal Agency: Department of Health and Human Services

Control Category: Special Tests and Provisions – Child Support Non-Cooperation

Finding Summary: Two of thirty-eight cases appeared to have individuals who were not cooperating with the State in child support enforcement efforts; however, the TANF benefits did not appear to have been reduced or denied as required by federal regulations.

Status: Partially corrected. Interfaces between the TANF and Child Support Programs are on going.

Finding No: 01-830-026

CFDA: 93.658

Federal Agency: Department of Health and Human Services

Summary Schedule of Prior Findings

Control Category: Eligibility

Finding Summary: 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.

Status: Corrected

Finding No: 01-830-027

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Eligibility

Finding Summary: Two of the twenty-four cases sampled could not be found for testwork. In addition, two of the remaining twenty-two cases tested were missing a copy of their energy bill.

Status: Corrected

Finding No: 01-830-028

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Reporting

Finding Summary: 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.

Status: Not Corrected, see current year finding 02-830-014.

Finding No: 01-830-030

CFDA: 93.568

Federal Agency: Department of Health and Human Services

Control Category: Activities Allowed and Unallowed

Finding Summary: 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.

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: Corrected. The Office of Juvenile Affairs (OJA) has continued to work closely with the Oklahoma Health Care Authority (OHCA) on cost allocation matters. The OJA cost allocation plan has been amended and approved by OHCA.

Summary Schedule of Prior Findings

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 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 is seeking certiorari with the Supreme Court after losing in US District Court in Spring of 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 Rehabilitation Services

Finding No: 00-805-002

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Information Systems

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

Status: Corrected

Finding No: 00-805-005

CFDA: 84.126

Federal Agency: Department of Education

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

Finding No: 00-805-006

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Allowable Costs/Cost Principles

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: Corrected

Finding No: 01-805-001

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Cash Management

Finding Summary: During testing, we noted the Department did not have adequate documentation supporting their draws. In addition, the Department is not requesting funds on the fifteenth of the month (or the closest working day) or adjusting to actual on a quarterly basis as required by the CMIA agreement.

Status: Not Corrected

Summary Schedule of Prior Findings

Finding No: 01-805-002

CFDA: 84.126

Federal Agency: Department of Education

Control Category: Allowable Costs/Cost Principles

Finding Summary: The Department had not allocated costs in accordance with its approved indirect cost plan. As a result, costs were being charged to the VR program which were not specifically identifiable to the program.

Status: Corrected

Department Of Transportation

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: Corrected. Four of the five projects were corrected. Project STP-55B(957)AG is partially corrected. With that project, three (3) employees were not properly paid. The payroll for one employee has been corrected, the whereabouts of the other two employees is unknown therefore a correction cannot be made.

Finding No: 00-345-11S

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: Partially corrected. ODOT Policies B-1201, B-1202 and B-1203 address use of systems and programs. New users are required to verify, by signature, that they have read these policies for being established on the system.

Finding No: 00-345-21S

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. Manpower constraints do not allow the ISD to specifically segregate duties within each of the supported systems. ISD responds to requests for changes in these systems through chain of command. A log of requests and actions is kept by ISD documenting these changes. Weekly reconciliation provides the opportunity to examine the systems at this level.

Finding No: 01-345-020

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Davis Bacon Act

Finding Summary: 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.

Summary Schedule of Prior Findings

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.

Status: No longer valid – Finding reported in error in prior year.

Finding No: 01-345-021

CFDA: 20.205

Federal Agency: United States Department of Transportation

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

Finding Summary: 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.

Status: No action has been taken. – Reported as finding in prior year to emphasize finding to management.

Finding No: 01-345-023

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Davis Bacon Act

Finding Summary: 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.

Status: Not corrected. The Department continues to monitor the prevailing wage rate on federally funded projects. ODOT has yet to purchase the CHAMPS software that was mentioned in original audit response but remains intent to do so when integration with the Site Manager software is complete.

Finding No: 01-345-025

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Other

Finding Summary: 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.

Status: Not corrected. The Department has made this issue a priority and as of February 1, 2003 ODOT considers the status of project closings to be current.

Finding No: 01-345-031

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Reporting

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

Status: Corrected. The Project Funding System (PFS) was updated with the missing data in March 2002.

Finding No: 01-345-032

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Davis Bacon Act

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

Summary Schedule of Prior Findings

Status: No longer valid – Finding reported in error in prior year.

Finding No: 01-345-036

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Other

Finding Summary: 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.

Status: Corrected. Weekly reconciliations of the data began in October of 2001 which provides the opportunity to examine the systems at this level.

Finding No: 01-345-037

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Other

Finding Summary: 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.

Status: Not corrected. Manpower constraints do not allow the ISD to specifically segregate duties within each of the supported systems. ISD responds to requests for changes in these systems through chain of command. A log of requests and actions is kept by ISD documenting these changes.

Finding No: 01-345-038

CFDA: 20.205

Federal Agency: United States Department of Transportation

Control Category: Other

Finding Summary: : 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.

Status: Partially corrected.

1. End-users have access for processing, but do not have access to modify programs or edit data.
2. ODOT Policies B-1201, B-1202 and B-1203 address use of systems and programs. New users are required to verify, by signature, that they have read these policies for being established on the system.
3. Listings can be provided with corresponding employee name.
4. ISD will request appropriate Divisions to review their access lists to verify that employee access is commensurate with job duties/description annually.

Schedule of Federal Programs by State Agency

Schedule of Federal Programs by State Agency

Agriculture, Department of	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
	10.672	Cooperative Forestry Assistance
	66.700	Consolidated Pesticide Enforcement Cooperative Agreements
	93.101	Food and Drug Administration Research
Attorney General	93.775	State Medicaid Fraud Control Units
Boll Weevil Eradication	10.025	Plant and Animal Disease, Pest Control, and Animal Care
Capital Complex and Centennial Commission	-	Centennial Commemoration Grant
Career and Technology Education, Department of	12.002	Procurement Technical Assistance For Business Firms
	17.249	Employment Services and Job Training - Pilot and Demonstration Programs
	-	Congressions - Special Initiative
	84.048	Vocational Education-Basic Grants to States
	84.051	National Vocational Education Research
	84.116	Fund for the Improvement of Postsecondary Education
	84.243	Tech-Prep Education
	84.346	Occupational and Employment Information State Grants
	59.005	Business Development Assistance to Small Business
Central Services, Department of	39.003	Donation of Federal Surplus Personal Property
Commerce, Department of	11.307	Economic Development Administrations
	14.228	Community Development Block Grant-State's Program
	14.231	Emergency Shelter Grant Program
	14.235	Community Development Technical Assistance
	14.238	Shelter Plus Care/Continuum of Care
	81.041	State Energy Program
	81.042	Weatherization Assistance of Low-Income Persons
	81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance
	81.119	State Energy Program-Special Projects
	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
	10.902	Soil and Water Conservation
	15.252	Abandoned Mine Land Reclamation (AMLR) Program

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

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
Corrections, Department of	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
District Attorneys Council	16.554	National Criminal History Improvement Program
	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
Education, Department of	16.593	Residential Substance Abuse Treatment for State Prisoners
	10.553	School Breakfast Program
	10.555	National School Lunch Program
	10.556	Special Milk Program for Children
	10.558	Child and Adult Care Food Program
	10.559	Summer Food Service Program
	10.560	State Administrative Expenses for Child Nutrition
	-	Troops for Teachers
	15.130	Indian Education-Assistance to Schools
	84.002	Adult Education-State Grant Program
	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
	84.027	Special Education-Grants to States
	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
	84.194	Bilingual Education
	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
	84.281	Eisenhower Professional Development State Grants
	84.282	Charter Schools
	84.298	Innovative Education Program Strategies
	84.303	Technology Challenge Grant
	84.318	Technology Literacy Challenge Fund Grants
	84.323	Special Education-State Program Improvement Grants for Children with Disabilities
	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

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

Education, Department of (cont.)	84.348	Title I Accountability Grants
	84.352	School Renovation, IDEA and Technology Grant
	93.576	Refugee and Entrant Assistance-Discretionary Grants
	93.938	Medical Assistance Program
	94.004	Learn and Serve America-School and Community Based Programs
	94.005	Learn and Serve America-Higher EducationSpecial Benefits for Disabled Coal Miners
	94.013	Volunteers in Service to America
Employment Security Commission	-	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
	17.253	Welfare-to-Work Grants to States and Localities
	17.258	Workforce Investment Act
	17.259	Workforce Investment Act - Youth
	17.260	Workforce Investment Act - Dislocated Workers
	17.801	Disabled Veterans' Outreach Program (DVOP)
	17.804	Local Veterans' Employment Representative Program
Energy Resources Board	81.089	Fossil Energy Research and Development
Environmental Quality, Department of	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services
	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	Toxic Substances Compliance Monitoring
	66.708	Pollution Prevention Incentives - States
	66.801	Hazardous Waste Management State Progress Report
	66.802	Hazardous Substance Response Trust Fund
	66.808	Revised Municipal Solid Waste Landfill
Health Care Authority	93.767	State Children's Insurance Program
	93.777	State Survey and Certification of Health Care Providers and Suppliers
	93.778	Medical Assistance Program
Health, Department of	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
	84.186	Safe and Drug-Free Schools and Communities-State Grants
	-	X-Ray Inspections
	-	Clinical Laboratory Improvement Amendments
	93.003	Public Health and Social Services Emergency Fund
	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
	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

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

Health, Department of (cont.)	93.251	Newborn Hearing Screening
	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
	93.773	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
Historical Society	15.904	Historic Preservation Fund Grants-In-Aid
	15.921	U.S. Interior Department
	15.922	Native American Graves Protection and Repatriation Act
	45.149	National Foundation for Arts and Humanities
Human Rights Commission	14.401	Fair Housing Assistance Program
	30.002	Employment Discrimination-State and Local Fair Employment Practices Agency Contracts
Human Services, Department of	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
	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
	93.052	Nation Family Caregiver Support Program
	93.556	Promoting Safe and Stable Families
	93.558	Temporary Assistance for Needy Families
	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

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

Human Services, Department of (cont.)	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
	93.674	Independent Living
	93.779	Consumer Directed Personal Assistance Services and Supports
	93.994	Maternal and Child Health Services Block Grant to the States
	94.011	Foster Grandparent Program
Insurance Department	93.048	Medicare/Medicaid Fraud, Abuse and Waste Reduction
	93.779	Senior Health Insurance Counseling Program
Labor Department	17.005	Compensation and Working Conditions
	17.504	Consultation Agreements
	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements
	16.550	State Justice Statistics Program for Statistical Analysis Centers
Legislative Service Bureau		
Libraries, Department of	45.310	State Library Program
	84.154	Public Library Construction and Technology Enhancement
	89.003	National Historical Publications and Records Grants
	94.013	Volunteers in Service to America
Mental Health and Substance Abuse, Department of	14.238	Shelter Plus Care
	83.539	Immediate Services Crisis Counseling
	84.186	Safe and Drug-Free Schools and Communities-State Grants
	-	Implementation Alcohol/Drug Data Collection
	-	Substance Abuse Demands & Needs Assessment
	93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services-Technical Assistance Centers for Evaluation
	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
	94.007	Americorp Promise Fellow
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
Mines, Department of	15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining
	17.600	Mine Health and Safety Grants
Narcotics/Dangerous Drugs Control	-	Marijuana Eradication

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

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
Public Safety, Department of	16.712	Police Corps
	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
Rehabilitation Services, Department of	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
Space Industry Development Authority	-	NASA Education Grant
State Arts Council	45.025	Promotion of the Arts-Partnership Agreements
State Auditor and Inspector	15.222	Cooperative Inspection Agreements with States and Tribes
State Bureau of Investigation	16.542	National Institute for Juvenile Justice and Delinquency Prevention
	16.564	Crime Laboratory Improvement-Combined Offender DNA Index System Backlog Reduction
	16.710	Public Safety Partnership and Community Policing Grants
Supreme Court	93.586	State Court Improvement Program
Tourism & Recreation, Department of	15.503	Small Reclamation Projects
	15.916	Outdoor Recreation-Acquisition, Development and Planning
	20.219	Recreational Trails Program
	83.544	Public Assistance Grants
	94.006	Americorps
Transportation, Department of	20.106	Airport Improvement Program
	20.205	Highway Planning and Construction
	20.509	Formula Grants for Other Than Urbanized Areas
Veterans Affairs, Department of	64.005	Grants to States for Construction of State Home Facilities
	64.014	Veterans State Domiciliary Care
	64.015	Veterans State Nursing Home Care
	64.124	All-Volunteer Force Educational Assistance
Water Resources Board	12.300	Basic and Applied Scientific Research
	15.503	Small Reclamation Projects
	15.616	Clean Vessel Act
	66.419	Water Pollution Control-State and Interstate Program Support
	66.454	Water Quality Management Planning
	66.458	Capitalization Grants for State Revolving Funds
	66.460	Nonpoint Source Implementation Grants
	66.461	Wetlands Grants
	66.470	Rural Communities Hardship Grants
	66.606	Surveys, Studies, Investigations and Special Purpose Grants
	83.550	National Dam Safety Program

Note: This schedule represents primary recipients only.

Schedule of Federal Programs by State Agency

Wildlife Conservation, Department of

15.605	Sport Fish Restoration
15.611	Wildlife Restoration
15.615	Endangered Species Conservation
15.625	Wildlife Conservation and Restoration
15.626	Hunter Education and Safety

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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, 2002

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 7,519,638	\$ 101,540,636	\$ 21,619,509	\$ 30,916,519	\$ 161,596,302
Total Expenditures	8,604,230	196,997,815	21,634,404	28,926,744	256,163,193
Revenues Over (Under) Expenditures	(1,084,592)	(95,457,179)	(14,895)	1,989,775	(94,566,891)
Other Financing Sources (Uses)					
Operating Transfers In	697,780	5,236,678	23,423	3,707,127	9,665,008
Operating Transfers Out	(51)	(5,085,852)	(24,092)	(75,986)	-5,185,981
Total Other Financing Sources (Uses)	697,729	150,826	(669)	3,631,141	4,479,027
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(386,863)	(95,306,353)	(15,564)	5,620,916	(90,087,864)
Fund Balances - Beginning of Year	5,112,668	278,424,460	12,773,258	3,837,387	300,147,773
Fund Balances - End of Year	\$ 4,725,805	\$ 183,118,107	\$ 12,757,694	\$ 9,458,303	\$ 210,059,909

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2002

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2001 Ending Fund Balance	\$ 5,112,668	\$ 278,424,460	\$ 12,773,258	\$ 3,837,387	\$ 300,147,773
July 1, 2001 Beginning Fund Balance	\$ 5,112,668	\$ 278,424,460	\$ 12,773,258	\$ 3,837,387	\$ 300,147,773
Cash Basis Data -					
FY 2002 Revenues	\$ 6,655,452	\$ 100,839,257	\$ 21,109,749	\$ 31,227,073	\$ 161,596,302
FY 2002 Expenditures	7,142,155	206,866,678	15,710,229	22,895,889	256,163,193
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

Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2002

Trend Analysis

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2002 Revenue to Prior Years'				
FY01	95.72%	26.16%	112.37%	116.84%
FY00	93.88%	24.36%	99.37%	126.76%
FY99	95.27%	15.62%	101.10%	135.79%
Comparison of FY 2002 Expenditures to Prior Years'				
FY01	109.66%	55.16%	95.78%	99.87%
FY00	136.63%	45.96%	98.79%	105.39%
FY99	115.01%	47.21%	102.05%	118.90%
Revenues expressed as a percent of expenditures				
FY02	93.19%	48.75%	134.37%	136.39%
FY01	106.76%	102.79%	114.54%	116.59%
FY00	135.62%	91.97%	133.58%	113.40%
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%

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