

# OKLAHOMA 2005

## Single Audit Report For The Fiscal Year Ended June 30, 2005

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 30, 2006

**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, 2005. 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***

**Report on Compliance and on Internal Control Over Financial Reporting  
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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**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, 2005, which collectively comprise the State's basic financial statements and have issued our report thereon dated February 24, 2006, which included an emphasis paragraph 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 Native American Cultural and Educational Authority, the Oklahoma Insurance Department, or the Oklahoma Department of Wildlife Conservation, which in the aggregate represent eleven percent and four percent, respectively, of the assets and revenues of the governmental activities, and one percent of the assets and two percent of the revenues of the general fund.
- the financial statements of the Water Resources Board which in the aggregate represent sixty-five percent and thirteen percent, respectively, of the assets and revenues of the business-type activities and the enterprise funds;
- the financial statements of the aggregate discretely presented component units;
- the financial statements of the Commissioners of the Land Office permanent fund, the Oklahoma Department of Wildlife Conservation Lifetime Licenses permanent fund, or the Tobacco Settlement Endowment permanent fund, which in the aggregate represent one hundred percent of the permanent funds;
- 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 Employees 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 of the assets and one hundred percent of the revenues 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.

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 financial statements and not to provide an opinion 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 responses as items 05-345-003, 05-345-004, 05-345-005, 05-345-006, 05-345-007, 05-345-008, 05-090-001, 05-090-002, and 05-090-003.

A material weakness is a reportable 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 caused by error or fraud 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, we believe none of the reportable conditions described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 05-345-007 and 05-345-008.

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



Jeff A. McMahan  
State Auditor and Inspector

February 24, 2006

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

**Report on Compliance With Requirements Applicable to Each Major  
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STATE OF OKLAHOMA  
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN  
State Auditor and Inspector

**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, 2005. 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 1.6% of total expenditures for federal programs reported on the Schedule of Expenditures of Federal Awards. These entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to compliance with the compliance requirements for the above-mentioned entities, is based solely upon the reports of the other auditors.

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

The State of Oklahoma's basic financial statements include the operations of component units, some of which received federal awards. Those component units are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005. Our audit, described below, did not include the operations of those component units because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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

In our opinion, 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, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and question costs as items:

05-265-002	05-265-003	05-265-004	05-265-005	05-309-001	05-309-002
05-309-003	05-309-004	05-309-005	05-309-006	05-340-001	05-340-002
05-340-003	05-340-004	05-340-005	05-340-006	05-340-007	05-345-001
05-345-010	05-345-011	05-452-001	05-452-002	05-452-004	05-805-001
05-805-002	05-805-004	05-807-003	05-807-004	05-807-005	05-807-006
05-807-008	05-807-009	05-807-010	05-807-011	05-807-012	05-807-014
05-807-015	05-807-016	05-830-001	05-830-002	05-830-003	05-830-004
05-830-005	05-830-007	05-830-008	05-830-009	05-830-010	05-830-011
05-830-012	05-830-013	05-830-016	05-830-018	05-830-020	05-830-022

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 operation 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 and question costs as items:

05-265-002	05-265-003	05-265-004	05-265-005	05-309-001	05-309-003
05-309-004	05-309-005	05-309-006	05-340-001	05-340-002	05-340-003
05-340-004	05-340-005	05-340-006	05-340-006IT	05-340-007	05-340-007IT
05-345-001	05-345-005IT	05-345-006IT	05-345-007IT	05-345-010	05-345-011
05-452-001	05-452-002	05-452-004	05-452-002IT	05-452-003IT	05-452-004IT
05-452-005IT	05-452-006IT	05-805-001	05-805-002	05-805-004	05-807-003
05-807-004	05-807-005	05-807-006	05-807-007	05-807-008	05-807-009
05-807-010	05-807-011	05-807-012	05-807-014	05-807-015	05-807-016
05-830-001	05-830-002	05-830-003	05-830-005	05-830-010	05-830-011
05-830-012	05-830-022	05-830-023	05-830-024		

A material weakness is a reportable 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 caused by error or fraud 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. Of the reportable conditions described above, we consider finding 05-340-007 to be a material weakness.

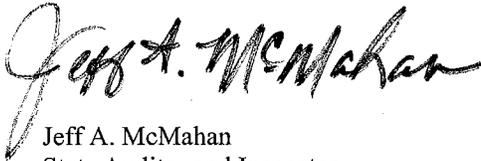
Other Findings

In addition to the findings stated above, we also noted other matters involving requirements of laws, regulations, contracts, and grants applicable to federal programs. These matters are not considered to be reportable in accordance with *Government Auditing Standards* or OMB Circular A-133; however, we believe they are significant enough to be brought to management’s attention. These matters have been included in the section titled “Other Findings” contained within this report.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Oklahoma as of and for the year ended June 30, 2005, and have issued our report thereon dated February 24, 2006, which included an emphasis paragraph on the unfunded actuarial accrued liability of the Teachers' Retirement System. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Selected Activities for Internal Service Type Funds section listed in the table of contents has not been audited by us, and accordingly, we express no opinion on it.

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



Jeff A. McMahan  
State Auditor and Inspector

March 24, 2006 except as to the Schedule of Expenditures  
Of Federal Awards, for which the date is February 24, 2006

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

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

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
<b>U.S. Department of Agriculture</b>				
Direct Programs:				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	Department of Agriculture		480,777
Federal-State Marketing Improvement Program	10.156	Department of Agriculture		18,306
Market Protection and Promotion	10.163	Department of Agriculture		18,308
Outreach and Assist. for Soc. Dis. Farmers and Ranchers	10.443	Department of Agriculture		96,568
Crop Insurance	10.450	Department of Agriculture		97,191
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	Department of Agriculture		1,596,203
Food Donation	⌘ 10.550	Department of Human Services		15,876,679 ⌘
Food Stamps	⌘ 10.551	Department of Human Services		435,172,454 ⌘
School Breakfast Program	10.553	Department of Education		33,294,740 ⌘
National School Lunch Program	10.555	Department of Education	97,380,965	
			<u>1,418,379</u>	98,799,344 ⌘
Special Milk Program for Children	10.556	Department of Education		44,764 ⌘
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State Department of Health		72,238,288
Child and Adult Care Food Program	10.558	Department of Education		50,487,113 ⌘
Summer Food Service Program for Children	10.559	Department of Education		2,464,661 ⌘
State Administrative Expenses for Child Nutrition	10.560	Department of Education	2,120,534	
		Department of Human Services	<u>260,711</u>	2,381,245
State Administrative Matching Grants for Food Stamp Program	10.561	Department of Human Services		35,646,161 ⌘
Emergency Food Assistance Program (Administrative Costs)	10.568	Department of Human Services		821,428
Cooperative Forestry Assistance	10.664	Department of Agriculture		2,419,166
Rural Development, Forestry and Communities	10.672	Department of Agriculture		60,004
Forest Land Enhancement Program	10.677	Department of Agriculture		207,141
Distance Learning and Telemedicine Loans and Grants	10.855	J.D. McCarty Center for Handicapped Children		94,390
Soil and Water Conservation	10.902	Conservation Commission		4,440,183
Land Reclamation-Oklahoma Plan	10.922	Department of Environmental Quality		35,100
Cost Reimbursement Contract - Animal and Plant Health Inspection Service (Plant Protection and Quarantine)	10.025	Department of Wildlife Conservation		20,700
Cost Reimbursement Contract - Plant and Animal Disease, Pest Control, and Animal Care	10.025	Boll Weevil Eradication		<u>318,000</u>
Subtotal				<u>757,128,914</u>
<b>U.S. Department of Defense</b>				
Direct Programs:				
Procurement Technical Assistance For Business Firms	12.002	Department of Career & Technology Education		502,704
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	Department of Environmental Quality		652,530
Basic and Applied Scientific Research	12.300	Water Resources Board		33,032
Information Security Grant Program	12.902	Department of Career & Technology Education		9,171
Cost Reimbursement Contract - National Guard Military Construction	12.400	Oklahoma Military Department		26,419
Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects	12.401	Oklahoma Military Department		17,924,383
Cost Reimbursements Contract - National Guard Civilian Youth Opportunities Program	12.404	Oklahoma Military Department		2,845,235
Other Federal Assistance - Troops to Teachers	-	Department of Education		<u>132,056</u>
Subtotal				<u>22,125,530</u>
<b>U.S. Drug Enforcement Administration</b>				
Direct Programs:				
Other Federal Assistance - Marijuana Eradication Suppression Program	-	Bureau of Narcotics & Dangerous Drugs Control		<u>289,169</u>
Subtotal				<u>289,169</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
<b>U.S. Department of Housing and Urban Development</b>				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	Department of Environmental Quality		197,107
Community Development Block Grants - State's Program	14.228	Department of Commerce		27,679,167
Emergency Shelter Grants Program	14.231	Department of Commerce		931,135
Supportive Housing Program	14.235	Mental Health and Substance Abuse Services	24,344	
		Department of Commerce	11,751	36,095
Shelter Plus Care	14.238	Department of Commerce	136,626	
		Mental Health and Substance Abuse Services	250,927	387,553
Fair Housing Assistance Program-State and Local	14.401	Human Rights Commission		229,911
Subtotal				<u>29,460,968</u>
<b>U.S. Department of the Interior</b>				
Direct Programs:				
Indian Education - Assistance to Schools	15.130	Department of Education		126,710
Regulation of Surface Coal Mining and Surface				
Effects of Underground Coal Mining	15.250	Department of Mines		894,142
Abandoned Mine Land Reclamation (AMLR) Program	15.252	Conservation Commission		2,109,247
Small Reclamation Projects	15.503	Department of Tourism and Recreation		434,340
Reclamation and Water Reuse Programs	15.504	Department of Wildlife Conservation	94,741	
		Water Resources Board	260,897	355,638
Sport Fish Restoration	15.605	Department of Wildlife Conservation		5,073,225
Wildlife Restoration	15.611	Department of Wildlife Conservation		4,384,804
Cooperative Endangered Species Conservation Fund	15.615	Department of Wildlife Conservation		388,037
Clean Vessel Act	15.616	Department of Environmental Quality	13,276	
		Water Resources Board	39,917	53,193
Wildlife Conservation and Restoration	15.625	Department of Wildlife Conservation		19,590
Hunter Education and Safety Program	15.626	Department of Wildlife Conservation		140,090
Land Owners Incentive Program	15.633	Department of Wildlife Conservation		78,609
State Wildlife Grants	15.634	Department of Wildlife Conservation		707,770
Historic Preservation Fund Grants-In-Aid	15.904	Historical Society		573,448
Outdoor Recreation - Acquisition, Development and Planning	15.916	Department of Tourism and Recreation		1,262,584
Cost Reimbursement Contract - Cooperative				
Inspection Agreements with States and Tribes	15.222	State Auditor and Inspector		366,112
Subtotal				<u>16,967,539</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
State Domestic Preparedness Equipment Support Program	16.007	Department of Public Safety		11,215,706
Offender Reentry Program	16.202	Department of Corrections	166,432	
		Office of Juvenile Affairs	497,389	663,821
Sex Offender Management Discretionary Grant	16.203	Department of Corrections		100,529
Juvenile Accountability Incentive Block Grants	16.523	Office of Juvenile Affairs		2,447,225
Juvenile Justice and Delinquency Prevention -				
Allocation to States	16.540	Office of Juvenile Affairs		731,401
Part D-Research, Evaluation, Technical Assistance and Training	16.542	State Bureau of Investigation		109,267
Title V - Delinquency Prevention Program	16.548	Office of Juvenile Affairs		52,118
Part E - State Challenge Activities	16.549	Office of Juvenile Affairs		79,439
State Justice Statistics Program for Statistical				
Analysis Centers	16.550	Legislative Service Bureau		44,202
National Criminal History Improvement Program (NCHIP)	16.554	District Attorneys Council		460,900
National Institute of Justice Research, Evaluation and				
Development Project Grants	16.560	District Attorneys Council		193,803
Crime Laboratory Improvement-Combined Offender				
DNA Index System Backlog Reduction	16.564	State Bureau of Investigation		71,607
Crime Victim Assistance	16.575	District Attorneys Council		4,430,818
Crime Victim Compensation	16.576	District Attorneys Council		895,609
Byrne Formula Grant Program	16.579	District Attorneys Council	5,616,286	
		Bureau of Narcotics & Dangerous Drugs Control	143,282	5,759,568

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Mental Health and Substance Abuse Services		58,540
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	Department of Corrections		1,356,746
Violence Against Women Formula Grants	16.588	District Attorneys Council		1,645,550
Local Law Enforcement Block Grants Program	16.592	District Attorneys Council		465,320
Residential Substance Abuse Treatment for State Prisoners	16.593	District Attorneys Council		744,414
State Criminal Alien Assistance Program	16.606	Department of Corrections		649,583
Community Prosecution and Project Safe Neighborhoods	16.609	Legislative Service Bureau	104,896	
		District Attorneys Council	<u>500,361</u>	605,257
Public Safety Partnership and Community Policing Grants	16.710	Department of Public Safety		855,981
Police Corps	16.712	Department of Public Safety		455,465
Enforcing Underage Drinking Laws Program	16.727	Department of Public Safety		463,286
Cost Reimbursement Contract - Public Safety Partnership and Community Policing	16.710	State Bureau of Investigation		<u>49,115</u>
Subtotal				<u>34,605,270</u>
<b>U.S. Department of Labor</b>				
Direct Programs:				
Labor Force Statistics	17.002	Employment Security Commission		1,158,413
Compensation and Working Conditions	17.005	Department of Labor		83,752
Labor Certification for Alien Workers	17.203	Employment Security Commission		148,823
Employment Service	17.207	Employment Security Commission		12,379,225
Unemployment Insurance	17.225	Employment Security Commission		203,978,184
Senior Community Service Employment Program	17.235	Employment Security Commission		1,407,356
Trade Adjustment Assistance - Workers	17.245	Employment Security Commission		8,414,940
Workforce Investment Act - Adults	17.258	Employment Security Commission		8,790,163
Workforce Investment Act - Youth	17.259	Employment Security Commission		8,674,422
Workforce Investment Act - Dislocated Workers	17.260	Employment Security Commission		9,733,009
Employment and Training Administration Pilots, Demonstration and Research Programs	17.261	Oklahoma Military Department	99,410	
		Department of Career & Technology Education	<u>191,131</u>	290,541
Work Incentive	17.266	Employment Security Commission		811,302
State Utilization of WIA Section 503 Incentive Grants to States	17.267	Employment Security Commission		780,945
Consultation Agreements	17.504	Department of Labor		1,270,793
Mine Health and Safety Grants	17.600	Department of Mines		102,119
Disabled Veterans' Outreach Program (DVOP)	17.801	Employment Security Commission		908,744
Local Veterans' Employment Representative Program	17.804	Employment Security Commission		<u>1,486,852</u>
Subtotal				<u>260,419,583</u>
<b>U.S. Department of Transportation</b>				
Direct Programs:				
Boating Safety Financial Assistance	20.005	Department of Public Safety		1,370,617
Airport Improvement Program	20.106	Oklahoma Aeronautics Commission		785,810
Highway Planning and Construction	20.205	Department of Transportation		418,872,407
National Motor Carrier Safety	20.218	Department of Public Safety		3,008,397
Recreational Trails Program	20.219	Department of Tourism and Recreation		1,155,070
Formula Grants for Other Than Urbanized Areas	20.509	Department of Transportation		9,972,337
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	Department of Human Services		1,303,252
Transit Planning and Research	20.514	Department of Rehabilitation Services		4,650
State and Community Highway Safety	20.600	Department of Public Safety		3,449,341
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Department of Emergency Management		178,028
Cost Reimbursement Contract - Pipeline Safety	20.700	Corporation Commission		<u>517,408</u>
Subtotal				<u>440,617,317</u>

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
<b>U.S. Treasury</b>				
Direct Programs:				
Jobs and Growth Tax Relief	21.999	State of Oklahoma		102,517,754
Subtotal				<u>102,517,754</u>
<b>Equal Employment Opportunity Commission</b>				
Direct Programs:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	Human Rights Commission		113,347
Subtotal				<u>113,347</u>
<b>General Services Administration</b>				
Direct Programs:				
Donation of Federal Surplus Property	39.003	Department of Central Services		2,033,016
Election Reform Payments	39.011	State Election Board		50,953
Subtotal				<u>2,083,969</u>
<b>National Foundation on the Arts and the Humanities</b>				
Direct Programs:				
Promotion of the Arts - Partnership Agreements	45.025	State Arts Council		633,100
Promotion of the Humanities - Division of Preservation and Access	45.149	Historical Society		4,411
State Library Program	45.310	Department of Libraries		1,951,819
IMLS	45.312	Department of Commerce		1,764,063
Subtotal				<u>4,353,393</u>
<b>National Science Foundation</b>				
Direct Programs:				
Education and Human Resources	47.076	Department of Career & Technology Education		66,709
Subtotal				<u>66,709</u>
<b>Small Business Administration</b>				
Direct Programs:				
Congressional - Special Initiative	59.000	Department of Career & Technology Education		126,423
Cost Reimbursement Contract - Internet Based Technical Assistance	59.005	Center for Advancement of Science and Technology		39,065
Subtotal				<u>165,488</u>
<b>U.S. Department of Veterans Affairs</b>				
Direct Programs:				
Veterans State Nursing Home Care	64.015	Department of Veterans Affairs		28,358,835
All-Volunteer Force Educational Assistance	64.124	Department of Veterans Affairs		320,186
Cost Reimbursement Contract - Grants to States for Construction of State Home Facilities	64.005	Department of Veterans Affairs		563,915
Subtotal				<u>29,242,936</u>
<b>U.S. Environmental Protection Agency</b>				
Direct Programs:				
Surveys Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act Water Pollution Control - State and Interstate Program Support	66.034	Department of Environmental Quality		751,290
State Underground Water Source Protection	66.419	Water Resources Board		4,310,032
Surveys Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements of the Clean Water Act	66.433	Corporation Commission		313,565
Water Quality Management Planning	66.436	Water Resources Board		131,678
Capitalization Grants for Clean Water	66.454	Water Resources Board		129,544
State Revolving Fund	66.458	Water Resources Board		2,201,899
Nonpoint Source Implementation Grants	66.460	Water Resources Board		3,139,925
Regional Wetland Program - Development Grants	66.461	Water Resources Board		
		Department of Commerce	244,055	
			<u>51,667</u>	<u>295,722</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
National Pollutant Discharge Elimination System Related State Program Grants	66.463	Water Resources Board		309,866
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Department of Environmental Quality		25,918,858 ♦
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	Department of Environmental Quality		333,013
Water Protection Grants to the States	66.474	Department of Environmental Quality		178,176
Performance Partnership Grants	66.605	Department of Environmental Quality		4,273,234
Surveys, Studies, Investigations and Special Purpose Grants	66.606	Department of Environmental Quality	132,102	
		Water Resources Board	297,895	429,997
Environmental Info. Exch. Network	66.608	Department of Environmental Quality	225,981	
		Department of Agriculture	150,000	375,981
Children's Health Protection	66.609	State Department of Health		31,369
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	Department of Agriculture		690,378
Toxic Substances Compliance Monitoring	66.701	Department of Labor		260,629
Pollution Prevention Grants Program	66.708	Department of Environmental Quality		39,384
Multi-Media Capacity Building Grants for States and Tribes	66.709	Department of Agriculture	42,830	
		Department of Environmental Quality	10,138	52,968
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach	66.716	Department of Agriculture		36,050
Superfund State Site - Specific Cooperative Agreements	66.802	Department of Environmental Quality		4,256,987
State and Tribal Underground Storage Tanks Program	66.804	Corporation Commission		221,546
Leaking Underground Storage Tank Trust Fund Program	66.805	Corporation Commission		960,118
Brownsfields-State and Tribal Response Program	66.817	Department of Environmental Quality		188,815
Subtotal				49,831,024
<b>U.S. Department of Energy</b>				
Direct Programs:				
State Energy Program	81.041	Department of Commerce		723,957
Weatherization Assistance for Low-Income Persons	81.042	Department of Commerce		2,476,228 ♦
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Tech Analysis	81.117	Department of Commerce		28,875
Subtotal				3,229,060
<b>Federal Emergency Management Agency</b>				
Direct Programs:				
State and Local All Hazards Emergency Planning	83.562	Department of Emergency Management		110,706
Emergency Operations Center Initiative	83.583	Department of Emergency Management		3,194
Homeland Security - Citizen Corp	83.584	Department of Emergency Management		756,910
Homeland Security - Pre-Disaster Mitigation	83.999	Department of Emergency Management		30,000
Subtotal				900,810
<b>U.S. Department of Education</b>				
Direct Programs:				
Adult Education - State Grant Program	84.002	Department of Education		6,211,325
Title I Grants to Local Educational Agencies	84.010	Department of Education		143,173,735 *
Migrant Education - Basic State Grant Program	84.011	Department of Education		2,261,976
Title I Program for Neglected and Delinquent Children	84.013	Department of Education		459,485
Special Education - Grants to States	84.027	Department of Education		116,842,761 *
Vocational Education - Basic Grants to States	84.048	Department of Career & Technology Education		17,621,499
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Department of Rehabilitation Services		38,093,253 *
Rehabilitation Services - Client Assistance Program	84.161	Office of Handicapped Concerns		118,564
Immigrant Education	84.162	Department of Education		(102,905)
Independent Living - State Grants	84.169	Department of Rehabilitation Services		439,320
Special Education - Preschool Grants	84.173	Department of Education		6,697,825 *
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	Department of Rehabilitation Services		363,342

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Special Education - Grants for Infants and Families with Disabilities	84.181	Department of Education		4,121,509
Safe and Drug-Free Schools and Communities - National Programs	84.184	Department of Education		588,736
Byrd Honors Scholarships	84.185	Department of Education		448,850
Safe and Drug-Free Schools and Communities - State Grants	84.186	Department of Education	4,190,700	
		State Department of Health	<u>818,866</u>	5,009,566
Supported Employment Services for Individuals with Severe Disabilities	84.187	Department of Rehabilitation Services		651,325
Education for Homeless Children and Youth	84.196	Department of Education		485,150
Even Start - State Educational Agencies	84.213	Department of Education		2,535,214
Fund for the Improvement of Education	84.215	Department of Education		369,090
Rehabilitation Services Demonstration and Training Programs	84.235	Department of Rehabilitation Services		166
Tech-Prep Education	84.243	Department of Career & Technology Education		1,608,097
Literacy Programs for Prisoners	84.255	Department of Corrections		262,645
Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	84.265	Department of Rehabilitation Services		100,035
Eisenhower Professional Development State Grants	84.281	Department of Education		194,751
Charter Schools	84.282	Department of Education		465,634
Twenty-First Century Community Learning Centers	84.287	Department of Education		8,853,898
State Grants Innovative Programs	84.298	Department of Education		4,514,093
Education Technology State Grants	84.318	Department of Education		6,289,928
Special Education - State Personnel Development	84.323	Department of Education		950,377
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	Department of Education		93,688
Advanced Placement Incentive Program	84.330	Department of Education		207,592
Grants to States for Incarcerated Youth Offenders	84.331	Department of Corrections		364,127
Comprehensive School Reform Demonstration	84.332	Department of Education		3,315,559
Occupational and Employment Information State Grants	84.346	Department of Career & Technology Education		139,388
Reading First	84.357	Department of Education		15,223,648 *
Rural Education	84.358	Department of Education		4,833,875
English Language Acquisition Grants	84.365	Department of Education		2,656,350
Math and Science Partnerships	84.366	Department of Education		1,232,745
Improving Teacher Quality Grants	84.367	Department of Education		30,989,723 *
Grants for Enhanced Assessment Instruments	84.368	Department of Education		314,956
State Assessments and Related Activities	84.369	Department of Education		<u>8,245,096</u>
Subtotal				<u>437,245,991</u>
<b>National Archives and Records Administration</b>				
Direct Programs:				
National Historical Publications and Records Grants	89.003	Department of Libraries		<u>57,638</u>
Subtotal				<u>57,638</u>
<b>U.S. Department of Health and Human Services</b>				
Direct Programs:				
Public Health and Social Services Emergency Fund	93.003	State Department of Health		3,778,647
Special Programs for the Aging - Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	Department of Human Services		74,395
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	Department of Human Services		159,355
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	Department of Human Services		361,954
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Department of Human Services		4,772,882 *
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	Department of Human Services		7,320,655 *
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	Insurance Department		219,256
Alzheimer's Disease Demonstration Grants to States	93.051	Department of Human Services		302,861
National Family Caregiver Support Program	93.052	Department of Human Services		2,134,686
Nutrition Services Incentive Program	93.053	Department of Human Services		<u>2,582,830 *</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

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## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
Food and Drug Administration Research	93.103	Department of Agriculture		5,712
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	Mental Health and Substance Abuse Services		2,012,126
Maternal and Child Health Federal Consolidated Programs	93.110	State Department of Health		645,270
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	State Department of Health		755,084
Primary Care Services - Resource Coordination and Development Primary Care Offices	93.130	State Department of Health		154,825
Injury Prevention and Control Research and State and Community Based Programs	93.136	State Department of Health		1,375,717
Projects for Assistance in Transition from Homelessness (PATH)	93.150	Mental Health and Substance Abuse Services		284,320
Health Programs for Toxic Substances and Disease Registry	93.161	State Department of Health		190,282
Grants to States for Loan Repayment Program	93.165	Physician Manpower Training Commission		12,500
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		300,891
Family Planning Services	93.217	State Department of Health		5,080,690
Consolidated Knowledge Development and Application Program	93.230	Mental Health and Substance Abuse Services		1,210,795
Traumatic Brain Injury	93.234	State Department of Health		70,359
Abstinence Education	93.235	State Department of Health		556,733
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	State Department of Health	88,214	
		Mental Health and Substance Abuse Services	<u>106,206</u>	194,420
Substance Abuse and Mental Health Services Projects	93.243	Mental Health and Substance Abuse Services		395,179
Universal Newborn Hearing Screening	93.251	State Department of Health		101,593
State Planning Grant-Health Care Access for Uninsured	93.256	Health Care Authority		742,033
Rural Access to Emergency Devices Grant	93.259	State Department of Health		432,012
Immunization Grants	❖ 93.268	State Department of Health		21,885,406 *
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	State Department of Health		22,646,065 *
Promoting Safe and Stable Families	93.556	Department of Human Services		5,426,668
Temporary Assistance for Needy Families	93.558	Department of Human Services		125,919,886 *
Child Support Enforcement	93.563	Department of Human Services		33,230,316 *
Refugee and Entrant Assistance - State Administered Programs	93.566	Department of Human Services		471,411
Low-Income Home Energy Assistance	93.568	Department of Human Services		15,559,950 *
Community Services Block Grant	93.569	Department of Commerce		7,842,615 ♦
Discretionary Grants	93.570	Department of Commerce		10,000
Community Services Block Grant Discretionary Awards - Community Food and Nutrition	93.571	Department of Commerce		51,887
Child Care and Development Block Grant	93.575	Department of Human Services		31,111,649 *
Refugee and Entrant Assistance - Discretionary Grants	93.576	Department of Education	19,100	
		Department of Human Services	<u>89,626</u>	108,726
State Court Improvement Program	93.586	Supreme Court		86,910
Community-Based Child Abuse Prevention Grants	93.590	State Department of Health		983,446
Family Violence Prevention and Services - Grants for Battered Women's Shelters	93.592	Mental Health and Substance Abuse Services		15,211
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Department of Human Services		42,219,685 *
Grants to States for Access and Visitation Programs	93.597	Department of Human Services		85,120
Chafee Education and Training Vouchers Program	93.599	Department of Human Services		440,152
Head Start	93.600	Department of Commerce		392,844
Adoption Incentive Payments	93.603	Department of Human Services		1,062,000
Developmental Disabilities Basic Support and Advocacy Grants	93.630	Department of Human Services		1,195,520
Children's Justice Grants to States	93.643	Department of Human Services		192,291
Child Welfare Services - State Grants	93.645	Department of Human Services		2,133,366
Foster Care - Title IV-E	93.658	Department of Human Services		35,549,143 *
Adoption Assistance	93.659	Department of Human Services		24,440,764
Social Services Block Grant	93.667	Department of Human Services		20,430,044 *
Child Abuse and Neglect State Grants	93.669	Department of Human Services		284,286

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	Expenditures/Expenses	
			Agency	State
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		1,229,652
Chafee Foster Care Independence Program	93.674	Department of Human Services		1,957,665
State Children's Insurance Program	93.767	Health Care Authority		57,562,416 *
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	Health Care Authority		193,394
Medicare - Hospital Insurance	93.773	State Department of Health		5,523,815
State Medicaid Fraud Control Units	93.775	Attorney General		966,377 *
State Survey and Certification of Health Care Providers and Suppliers	93.777	Health Care Authority		2,787,506 *
Medical Assistance Program	93.778	Health Care Authority		2,019,243,206 *
CMS Research, Demonstrations and Evaluations	93.779	Insurance Department	274,268	
		Mental Health and Substance Abuse Services	23,910	
		Health Care Authority	118,018	
		Department of Human Services	281,082	697,278
National Bioterrorism Hospital Preparedness Program	93.889	State Department of Health		1,491,004
HIV Care Formula Grants	93.917	State Department of Health		6,515,109
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	Department of Education		233,431
HIV Prevention Activities - Health Department Based	93.940	State Department of Health		2,382,558
Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	State Department of Health		367,777
Assistance Programs for Chronic Disease Prevention and Control	93.945	State Department of Health		1,310,269
Trauma Care Systems Planning and Development	93.952	State Department of Health		33,424
Block Grants for Community Mental Health Services	93.958	Mental Health and Substance Abuse Services		4,944,991
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Mental Health and Substance Abuse Services		17,880,310 *
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	State Department of Health		1,174,639
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	State Department of Health		248,874
Preventive Health and Health Services Block Grant	93.991	State Department of Health		1,355,447
Maternal and Child Health Services Block Grant to the States	93.994	State Department of Health		5,579,539
Other Federal Assistance - X-Ray Inspections	-	State Department of Health		48,087
Other Federal Assistance - Clinical Laboratory Improvement Amendments	-	State Department of Health		207,199
Other Federal Assistance - Alcohol and Drug Data Collection Information Systems	-	Mental Health and Substance Abuse Services		9,651
Cost Reimbursement Contract - Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	Center for Advancement of Science and Technology		55,030
Subtotal				2,564,002,071
<b>Corporation for National and Community Service</b>				
Direct Programs:				
Learn and Serve America - Higher Education	94.005	Department of Education		228,536
Foster Grandparent Program	94.011	Department of Human Services		379,909
Volunteers in Service to America	94.013	Department of Education		18,069
Subtotal				626,514
<b>Social Security Administration</b>				
Direct Programs:				
Social Security - Disability Insurance	96.001	Department of Rehabilitation Services		23,605,645 *
Social Security - Research and Demonstration	96.007	Department of Rehabilitation Services		19,331
Subtotal				23,624,976

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# OKLAHOMA

## Schedule of Expenditures of Federal Awards By Federal Grantor for the Fiscal Year Ending June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency	<u>Expenditures/Expenses</u>	
			Agency	State
<b>Department of Homeland Security</b>				
Direct Programs:				
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	Department of Emergency Management		351,220
Disaster Grants-Public Assistance(Presidentially Declared Disasters)	97.036	Department of Emergency Management		3,187,369
Hazard Mitigation Grant	97.039	Department of Emergency Management		17,244,472 *
National Dam Safety Program	97.041	Water Resources Board		42,349
Emergency Management Performance Grants	97.042	Department of Emergency Management		2,781,998
Pre-Disaster Mitigation	97.047	Department of Emergency Management		139,823
Citizen Corps	97.053	Department of Emergency Management		13,441
				<u>23,760,672</u>
<b>Total Federal Assistance</b>				<u><u>\$ 4,803,436,642</u></u>

- ⌘ Noncash Assistance
- ❖ Partially Noncash Assistance
- ⌘ Tested as a major program as defined by OMB Circular A-133
- ◆ Program audited as a major program by independent auditor of entity within the State

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Notes to the Schedule of Expenditures  
of Federal Awards

Notes to the Schedule of Expenditures  
of Federal Awards

# NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2005

## **Note 1. Summary of Significant Accounting Policies**

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

### A. Reporting Entity

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

### B. Basis of Presentation

The Schedule presents expenditures and expenses for the fiscal year ended June 30, 2005. 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

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### 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 2005:

<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 \$174,075,774. The federal portion of UI funds amounted to \$29,902,410.

### 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 \$168,198,821 at June 30, 2005. 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%.

The Oklahoma Department of Environmental Quality (ODEQ) administers the Oklahoma Drinking Water State Revolving Fund Program. The program had loans outstanding of \$90,493,477 at June 30, 2005. 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 2005, the ODEQ withdrew federal funds in the amount of \$26,013,989. Of these funds, \$4,462,862 was used for disbursements on loans originated.

### Note 5. Cost Recovery of Federal Program Expenditures

During fiscal year 2005, the Oklahoma Department of Health received cash rebates from infant formula manufacturers in the amount of \$17,498,386 on sales of formula to participants in the Special Supplemental Food Program for Women, Infants, and Children (CFDA No. 10.557). The rebate contracts are authorized by 7 CFR 46.26(m) as a cost containment measure. The cash rebates were treated as a credit against prior food expenditures.

The Oklahoma Department of Transportation has incurred significant expenditures on construction projects that have exceeded the contract amounts approved by the federal grantor. These project expenditures are

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

held in suspense until modified contracts are approved by the federal grantor and the expenditures subsequently reimbursed. Project expenditures totaling \$2,816,000 were in suspense at June 30, 2005, and once the modified contracts are approved by the U.S. Department of Transportation an estimated 100 percent will be considered available.

**Note 6. Audits Provided by Auditors Other Than Principal Auditor**

Audits provided by auditors other than the principal auditor include:

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

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

**Note 7. Department of Education Grant Transfers**

The Department of Education made the following transfers between programs for the fiscal year 2005:

	<u>Transferred From:</u>				Total
	Improving Teacher Quality State Grants (CFDA #84.367)	Education Technology State Grants (CFDA #84.318)	Safe and Drug-Free Schools and Communities_State Grants (CFDA #84.186)	State Grants For Innovative Programs (CFDA #84.298)	
<u>Transferred To:</u>					
Title I Grants To LEAs (CFDA #84.367)	\$1,254,919.75	\$4,234.47	\$62,948.16	\$25,837.50	\$1,347,939.88
Improving Teacher Quality State Grants (CFDA #84.367)		\$3,889.44	\$9,733.55	\$6,566.50	\$20,189.49
Education Technology State Grants (CFDA #84.318)	\$114,566.01		\$2,759.50		\$117,325.51
Safe and Drug-Free Schools and Communities_State Grants (CFDA #84.186)	\$52,500.48			\$18,290.23	\$70,790.71
State Grants For Innovative Programs (CFDA #84.298)	\$604,555.12	\$9,390.30	\$22,300.22		\$636,245.64
<b>Totals:</b>	<b>\$2,026,541.36</b>	<b>\$17,514.21</b>	<b>\$97,741.43</b>	<b>\$50,694.23</b>	<b>\$2,192,491.23</b>

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

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### **Note 8. Department of Transportation Federal Soft Match Provision**

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

The Department utilized approximately \$61,685,958.16 of the soft match provision for projects billed during fiscal year 2005. These soft match dollars are applied to the approved construction projects when expenditures are incurred, based on the soft match percentage. It should be noted that the amount of soft match credit utilized on the progressive estimate billings submitted to the Federal Highway Administration (FHWA) for each project is an estimate during the course of the project. The actual amount of soft match utilized for a particular project is not determinable until the project is final and the final reconciliation and billing has been submitted to FHWA.

## **Schedule of Findings and Question Costs**

## **Schedule of Findings and Question Costs**

## Schedule of Findings Summary of Auditor's Results

### *Financial Statements*

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

Internal control over financial reporting:

Material weakness(es) identified? .....no

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

Noncompliance material to financial statements noted?..... yes

### *Federal Awards*

Internal control over major programs:

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

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

Type of auditor's report issued on compliance for major programs: .....unqualified

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: .....\$14,325,948

Auditee qualified as low-risk auditee?.....no

Identification of Major Programs:

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	10.550 Food Distribution	Department of Human Services
Food Stamps Cluster	10.551 Food Stamps 10.561 State Administrative Matching Grants for Food Stamp Program	Department of Human Services
Child Nutrition Cluster	10.553 School Breakfast Program 10.555 National School Lunch Program 10.556 Special Milk Program for Children 10.559 Summer Food Service Program for Children	Department Of Education
	10.558 Child and Adult Care Food Program	Department of Education
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 Disabled Veteran's Outreach Program (DVOP) 17.804 Local Veterans' Employment Representative Program	Employment Security Commission
	17.225 Unemployment Insurance	Employment Security Commission

	<u>Program and CFDA Number</u>	<u>State Agency</u>
	20.205 Highway Planning and Construction	Department of Transportation
	39.003 Donation of Federal Surplus Personal Property	Department of Central Services
	66.468 Capitalization Grants for Drinking Water State Revolving Fund	Department of Environmental Quality
	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	Department of Education
	84.173 Special Education-Preschool Grants	
	84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States	Department of Rehabilitation Services
	84.357 Reading First State Grants	Department of Education
	84.367 Improving Teacher Quality State Grants	Department of Education
Aging Cluster	93.044 Special Program for the Aging Title III, Part B	Department of Human Services
	93.045 Special Program for the Aging Title III, Part C	
	93.053 Nutrition Services Incentive Program	
	93.268 Immunization Grants	Department of Health
	93.283 CDC Prevention Investigations and Technical Assistance	Department of Health
	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	Department of Human Services
	93.596 Child Care Mandatory and Matching Funds of CCDF	
	93.658 Foster Care, Title IV-E	Department of Human Services
	93.667 Social Services Block Grant	Department of Human Services
	93.767 State Children's Insurance Program	Health Care Authority
Medicaid Cluster	93.775 State Medicaid Fraud Control Units	Health Care Authority Attorney General
	93.777 State Survey and Certification of Health Care Providers and Suppliers	
	93.778 Medical Assistance Program	
	93.959 Block Grants for Prevention and Treatment of Substance Abuse	Department of Mental Health and Substance Abuse Services
	96.001 Social Security-Disability Insurance	Department of Rehabilitation Services
	97.039 Hazard Mitigation Grant	Department of Emergency Management

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

## Office of State Finance

**REF NO:** 05-090-001

**STATE AGENCY:** Office of State Finance

During the performance of our testwork regarding Agency Special Accounts (ASA), we noted the following:

- \$254,097,007 in deposits/transfers for account 8815A were coded to an incorrect CAFR fund type. This appears to be due to an error by the Council. \$252,695,000 in agency fund revenue was incorrectly recorded in the general fund and \$1,402,007 in general fund revenue was incorrectly recorded in the agency fund.
- Eighteen different ASA accounts with disbursements not recorded in the CORE system. Of these 18 accounts, nine affected agencies that are audited by other auditors. As a result, the errors for these agencies had no effect on CAFR reporting. However, for the remaining agencies the following amounts were not recorded in the CORE system:

Account	CAFR Fund Type	621200-Transfer to Treasury Fund	692100-Intra Agency Payment	621300-Transfer to Special Account	691100-Inter Agency Payment	621400-Transfer to Clearing Acct	Unknown	Total
8132Y	General Fund		2,568,805.84					2,568,805.84
8400C	General Fund						4,564.54	4,564.54
8740M	General Fund	593,877.86						593,877.86
<b>Total General Fund</b>		<b>593,877.86</b>	<b>2,568,805.84</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,564.54</b>	<b>3,167,248.24</b>
8695J	Agency Fund					3,747,272.37		3,747,272.37
8131R	Agency Fund	5,660,990.76						5,660,990.76
8132X	Agency Fund	3,546,719.88						3,546,719.88
8185C	Agency Fund	2,453,652.71						2,453,652.71
8830F	Agency Fund	19,966,368.24		1,277,302.45				21,243,670.69
8815A	Agency Fund		4,040,455.16			248,286,163.64		252,326,618.80
<b>Total Agency Fund</b>		<b>31,627,731.59</b>	<b>4,040,455.16</b>	<b>1,277,302.45</b>	<b>0.00</b>	<b>252,033,436.01</b>	<b>0.00</b>	<b>288,978,925.21</b>
		<b>\$32,221,609.45</b>	<b>\$6,609,261.00</b>	<b>\$1,277,302.45</b>	<b>\$0.00</b>	<b>\$252,033,436.01</b>	<b>\$4,564.54</b>	<b>\$292,146,173.45</b>

As a result of these disbursements not being recorded, the cash balances of these accounts are also overstated in the CORE system.

The cause of these disbursements not being recorded appears to lie in the method used to record ASA activity in the CORE system. Agencies are required to reconcile their records to OSF/OST balances using OSF Form 11A "Agency Special Account Report." These forms are submitted to OSF where the Form 11A is used to enter the disbursements in the CORE system through a journal entry. However, certain disbursements (e.g., transfers between funds) are not included in the CORE journal entry because the assumption was that these transactions were made via general ledger journal entry rather than writing an ASA voucher. However, it appears that these transactions were being made through the voucher process rather than a journal entry so the transactions are not recorded in the CORE system.

While these items were corrected on the State of Oklahoma financial statements, it appears the controls in place to ensure ASA activity is correctly recorded in the CORE system are not adequate.

**Recommendation:** We recommend the Office of State Finance develop procedures to ensure all ASA activity is correctly recorded in the CORE system.

**Views of Responsible Official(s):**

**Contact Person:** Jennie Pratt

**Anticipated Completion Date:** July 1, 2006

**Corrective Action Planned:** The Office of State Finance developed new monthly reporting forms and instructions for agencies with ASAs. These were provided to agencies last August for FY 06 reporting. OSF will explore other methods of ensuring that agency data is correctly reported and reconciled on these reports.

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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**REF NO:** 05-090-002

**STATE AGENCY:** Office of State Finance

An essential part of the internal controls established by the Office of State Finance (OSF) is the performance of a cash reconciliation between the CORE general ledger and the State Treasurer's Office (OST). The reconciliation is an important process in ensuring the accuracy of the accounting records and ensuring that errors are detected and corrected in a timely manner. As of February 2006, several funds had not yet been completely reconciled. The delay in completing the reconciliation appears due to staffing issues and the ongoing implementation of the CORE system during the fiscal year.

Without a timely reconciliation, financial information may be incomplete. In addition, accurate and reliable information is critical to users of the CORE system.

The reconciliation also includes only treasury funds and does not include Agency Special Accounts (ASA) even though ASA transactions are included in the CORE system. As noted in finding 05-090-002 and in prior year finding 04-090-002, large errors have been found due to ASA transactions not being recorded in the CORE system. ASA transactions represent a significant dollar amount with over \$8.8 billion in revenue and expenditures flowing through these accounts for fiscal year 2005.

**Recommendation:** We recommend the cash reconciliation between OSF and OST be performed monthly and that each reconciliation be completed in a timely manner. In addition, to ensure all ASA activity is recorded in the CORE system, we recommend the monthly reconciliations also include ASA accounts.

**Views of Responsible Official(s):**

**Contact Person:** Steve Funck, Roger Sprague

**Anticipated Completion Date:** July 31, 2006

**Corrective Action Planned:** Processes are being refined to facilitate improved data transfers and the reconciliation processes between the Office of State Finance and the State Treasurer's Office. It is anticipated that these improvements will reduce the number of discrepancies and allow for a more timely reconciliation. Additionally, to improve ASA reconciliations, the OSF developed new monthly reporting forms and instructions for agencies with ASAs for FY 06. Also, OSF will explore other methods of ensuring that agency data is correctly reported and reconciled on these reports.

**REF NO:** 05-090-003

**STATE AGENCY:** Office of State Finance

As part of the CAFR preparation process, the Office of State Finance (OSF) eliminates entries of intra and interfund payments between agencies. The method used by OSF to determine payments made from one agency to another is based on the payee's vendor identification number. Since each state agency has a unique vendor identification number, this is an effective method for determining the intrafund payments. However, this method provides for only determining the expenditure side of the eliminating entry. Since this method uses only payment data, there is no way of determining which revenue accounts should be decreased because the revenue account code used by the payee to deposit the payment is not known.

In response to this same condition in prior year finding 04-090-003, OSF stated:

Inter-unit transfer transactions are provided for in the new accounting system in conjunction with the accounts receivable application. Since implementation of that application has been delayed, the off-setting entries are not available through the system at this time. As an interim measure, a generally accepted accounting principles (GAAP) conversion package will be developed for the identification and elimination of related revenue accounts by depositing agencies.

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

---

A report of amounts paid by other State agencies will be provided to the appropriate depositing agencies. It will then be the responsibility of the depositing agencies to identify the correct revenue accounts for the elimination entry.

While a GAAP conversion package was not developed for FY 2005, a request was sent on September 26, 2005, asking agencies to provide revenue information for payments from other state agencies. During our testing of the revenue information provided as a result of this request, we found that agencies did not have adequate procedures to capture this type of information. This type of information had never been required in prior years and since the request came after the end of the fiscal year, agencies attempted to compile the information in retrospect. This proved to be a very time consuming and taxing issue for some agencies. For example, the Department of Corrections alone received over 10,000 intra and interagency payments.

**Recommendation:** We recommend OSF develop a GAAP conversion package, including instructions, to provide to the affected agencies. In addition, since this information is specifically necessary for the CAFR, OSF has the ultimate responsibility for ensuring adequate controls are in place to capture this information. Therefore, we recommend OSF work with the affected agencies to ensure they have adequate processes and procedures to determine the revenue account codes used when depositing payments from other state agencies.

**Management' Corrective Action Plan:**

**Contact Person:** Deric Berousek

**Anticipated Completion Date:** July 31, 2006

**Corrective Action Planned:** OSF will develop a GAAP conversion package and instructions that will be distributed to the appropriate agencies. Affected agencies will be informed that an audit of the information provided may be necessary, and that all supporting documentation should be available upon request.

### Department of Transportation

**REF NO:** 05-345-003

**STATE AGENCY:** Department of Transportation

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

**Condition:** During our testwork of Deferred Revenue related to Cooperative Projects and reported on GAAP Conversion Manual C, we noted that the Department used the wrong percentage of completion for project TSCPY-155A(415)TC, job piece 21048(04).

**Cause:** Project TSCPY-155A(415)TC was authorized in 2003 and incorrectly identified as a "soft match" project. For the purposes of revenue recognition, soft match projects are considered to be zero percent complete until the project is completely finished so as to avoid potential double-booking of revenue. In 2004, the project was re-classified by FHWA as a "regular" construction project. However, the Department did not adjust their internal Deferred Revenue Statements which support the GAAP Conversion Manual C.

**Effect:** Deferred Revenue is overstated by \$533,422.21.

**Recommendation:** We recommend that the Department exercise increased diligence to ensure that projects are appropriately identified so that Deferred Revenue is accurately reported.

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

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*Views of Responsible Official(s)*

**Contact Person:** Tommy Foskin

**Anticipated Completion Date:** 1/31/2006

**Corrective Action Planned:** I agree with this audit finding as it was the result of an oversight by the Finance section of the Comptroller Division. We will develop and implement procedures to minimize the risk of this happening in the future. Additionally, an adjustment will be made also by 1/31/06

**REF NO:** 05-345-004

**STATE AGENCY:** Department of Transportation

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

**Condition:** The Department states on Line 7 of the Accounts Payable and Encumbrance Summary GAAP Conversion Manual that they use capital expenses processed by accounting date of July 1<sup>st</sup> through the 15<sup>th</sup> and operating expenses processed by accounting date of July 1<sup>st</sup> through the 31<sup>st</sup> to estimate accounts payable. During our testwork of Accounts Payable, we determined that the Department had included \$3,347,534.59 in capital outlay expenditures in their calculation of operating payables and had excluded \$1,422,137.35 in capital outlay expenditures in their calculation of capital outlay payables.

**Cause:** There is a discrepancy between the Department and the Office of State Finance regarding the definition of capital outlay expenditures. The Department defines capital outlay expenditures as all expenditures which are charged against a department identification code that starts with a "9". The Office of State Finance defines capital outlay expenditures as all expenditures which are charged against a 54XXXX account code. Based on their definition of capital outlay expenditures, the Department was including all expenditures for the month of July not charged against a department identification code that starts with a "9" as operating payables. This included some expenditures charged against 54XXXX account codes. In addition, the Department was not including 54XXXX expenditures from July 1<sup>st</sup> through the 15<sup>th</sup> in their calculation of capital outlay payables.

Based on discussion with the Office of State Finance, it was agreed that capital outlay expenditures should be the sum of all expenditures which are charged against a 54XXXX account code and any remaining expenditures which are charged against a department identification code that starts with a "9".

**Effect:** Accounts payable is overstated by \$1,925,397.24.

**Recommendation:** We recommend that the Department revise their methodology of calculating accounts payable to ensure that the amount reported for accounts payable is accurate and reliable.

*Views of Responsible Official(s)*

**Contact Person:** Chelley VanWinkle

**Anticipated Completion Date:** As stated below

**Corrective Action Planned:** We will revise our methodology in accordance with the auditor's recommendation for FY 2006 GAAP Package I.

**REF NO:** 05-345-005

**STATE AGENCY:** Department of Transportation

**Criteria:** Important aspects of financial reporting include external and internal events and circumstances that may occur and adversely affect an entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Internal controls are performed to check accuracy, completeness, and authorization of transactions.

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

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

**Condition:** Two of fourteen projects tested were coded with a work code in the Project Funding System that did not agree to the supporting documentation (approved contract) in the project file. This resulted in a 14% error rate.

**Cause:** The lack of policy and formal written procedures to ensure the work code assigned to a project during the planning stages traces and agrees to the work code assigned to the project after the contract has been awarded. Also, it appears numerous departments have access to change the work code assigned to a project.

**Effect:** The Department's accounting records in the Project Funding System do not reflect the same information as contained in the project files regarding the work code assigned to a project.

**Recommendation:** We recommend the Department develop and implement policies and written procedures to ensure the final coding assigned to a project traces and agree to the supporting documentation (final awarded contract) in the project files. We also recommend the Department inform personnel of the importance of assigning the proper work codes to a project and limit access to change the project work code once the final contract has been awarded.

### **Views of Responsible Official(s)**

**Contact Person:** Mike Patterson

**Anticipated Completion Date:** September 1, 2006

**Corrective Action Planned:** Further improvements in the process will be made to insure that the work codes agree on all documents created by the Department.

**REF NO:** 05-345-006

**STATE AGENCY:** Department of Transportation

**Criteria:** Important aspects of financial reporting include external and internal events and circumstances that may occur and adversely affect an entity's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Internal controls are performed to check accuracy, completeness, and authorization of transactions.

Basic objectives of Governmental Generally Accepted Accounting Principles are to provide for accurate and reliable information.

**Condition:** During our testwork of the GAAP Closing Package Y (Infrastructure Assets Summary) for State Fiscal Year 2005, we noted that the calculations for the amounts reported on the package were mathematically inaccurate. We noted the following errors:

1. The amount reported on the GAAP Closing Package for Right of Way Land (ROW) current year deletions was understated by \$62,000, which caused the total ROW capital assets reported to be overstated by the same amount.
2. The amount reported on the GAAP Closing Package for Infrastructure current year deletions was understated by \$27,000 which caused the total Infrastructure reported to be understated by the same amount.
3. The amount reported for Infrastructure Accumulated Depreciation for current year deletions is overstated by \$14,000.
4. The amount reported for Infrastructure Net Book Value for current year deletions is overstated by 13,000. In addition, there was a \$1,000 mathematical error in the original total

## Schedule of Findings and Responses

### Financial Statement Findings

#### (Internal Control and Compliance)

---

Infrastructure Net Book Value. As a result, the total Infrastructure Net Book Value is understated by \$14,000.

**Cause:** Mathematical errors and failure to review computations for accuracy.

**Effect:** The amounts reported on the GAAP Closing Package Y were not accurate and were not consistent with the assertions of management in the financial statements.

**Recommendation:** We recommend that staff preparing the GAAP Closing Package Y verify mathematical computations to ensure amounts reported are accurate and consistent with management's assertions. In addition, we recommend that management approving the GAAP Closing Package Y review mathematical computations to ensure amounts reported are accurate and consistent with financial statement assertions.

**Views of Responsible Official(s):**

**Contact Person:** Chelley Hilmes – Kathleen Croy

**Anticipated Completion Date: Views of Responsible Official(s):** We concur with the audit findings.

**Contact Person:** Chelley Hilmes – Kathleen Croy

**Anticipated Completion Date:** March 31, 2006

**Corrective Action Planned:** Historically, the Accounting Section of the Comptroller Division has been understaffed. We have hired additional personnel to adjust workloads. We anticipate that this effort will provide an additional line of review, in that the preparer and reviewer are not the same.

**REF NO:** 05-345-007

**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...

Good accounting practices dictate that management ensures transactions are recorded correctly in a timely manner.

**Condition:** Out of twenty-one leases tested for county leased equipment, there is a variance between the State Auditor and Inspector's calculated future minimum payments and the Department's calculated future minimum payments for six leases.

**Cause:** Five of the variances appear to have been caused by a lack of adequate communication between the Local Government Division and the Comptroller Division. The date reported by the Local Government Division as the first invoice date on the cover letter sent to the county with the executed lease agreement (this is the date used by the Comptroller to establish the receivable and the future minimum payments) was different than the actual date of the first invoice. The remaining variance was due to the Comptroller's office establishing the receivable and future minimum payment using the "old" methodology of waiting until the first payment was received. The receivable and future minimum lease payment for this particular lease was prepared prior to the Department modifying their procedures based on the recommendation made by the State Auditor and Inspector's office in the prior year audit.

**Effect:** The amount reported to the Office of State Finance on the GAAP Package M (Lessor Summary) and Department records for future minimum payments are overstated. Consequently, accounts receivable and deferred revenue amounts are also overstated.

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

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**Recommendation:** We recommend that the Local Government Division and the Comptroller Division continue to work on improving inter-departmental communication so that new lease information is recorded in an accurate and timely manner.

**Views of Responsible Official(s)**

**Contact Person:** Kathleen Croy, Accounting Supervisor

**Anticipated Completion Date:** March 31, 2006

**Corrective Action Planned:** The Comptroller Division will continue to communicate the procedure and importance of executed agreement letters matching to the monthly county lease invoice billing dates.

**REF NO:** 05-345-008

**STATE AGENCY:** Oklahoma Department of Transportation

**Criteria:** According to the Consolidated Records Disposition Schedule 88-03, Local Government Division Section 8-8 (County Road Machinery and Equipment Revolving Fund):

Files consist of records on all machinery purchased for lease purchase to the counties. The files also contain: Request for equipment, transmittal letters, inventory records, resolutions for terminations, general correspondence, copies of purchase orders, invoice copies, and pink copy of 324A.

It further states that the Local Government Division is to:

Retain in office until three (3) years after expiration of the lease, then destroy provided all audits have been completed and all applicable audit reports have been accepted and resolved by all applicable federal and state agencies and provided no legal actions are pending. If legal action is pending destroy two (2) years after exhaustion of all legal remedies provided records meet all stipulated retention requirements.

**Condition:** During the course of requesting information related to our testwork of county leased equipment files, we were made aware that the Local Government Division is not keeping invoices for county leased equipment on a basis consistent with the requirements listed above.

**Effect:** The Department is not in compliance with the Consolidated Records Disposition Schedule.

**Recommendation:** We recommend that the Local Government Division retain invoice copies in compliance with the Consolidated Records Disposition Schedule.

**Views of Responsible Official(s)**

**Contact Person:** Michael Patterson, Assistant Director of Finance and Gordon J. Johnson, Division Engineer

**Anticipated Completion Date:** December 15, 2005

**Corrective Action Planned:** Effective immediately the Local Government Division will retain all invoice copies of county leased equipment as required by the Consolidated Records Disposition Schedule 88-03.

Local Government Division will fully comply with Section 8-8 of the County Road Machinery and Equipment Revolving Fund regulations to be in compliance with the State Auditors recommendations.

# Schedule of Findings Federal Award Findings And Question Costs

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Note: Findings are presented alphabetically by state agency.

## Department of Emergency Management

**REF NO:** 05-309-001

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.039

**FEDERAL PROGRAM NAME:** Hazard Mitigation Grant

**FEDERAL AWARD NUMBER:** FEMA-1355-DR-OK, FEMA 1395-DR-OK, FEMA-1401-DR-OK

**FEDERAL AWARD YEAR:** FFY2004, FFY2005

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$332,760

**Criteria:** OMB Circular A-133, Subpart C – § \_\_\_\_\_.300 (b) states in part: Maintain internal control over Federal programs that 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.”

A basic internal control objective is to ensure transactions are analyzed and accurately posted to the correct fund/account for the correct amount and recorded in the correct time period.

A basic internal control objective is to provide reliability of information by performing regular reconciliations.

**Condition:** During our testwork of the Schedule of Expenditures for Federal Awards (SEFA) for fiscal year 2005, we noted a variance of \$332,760.15 between the department’s accounting records and what was reported on the SEFA.

**Effect:** The Schedule of Expenditures for Federal Awards may be understated by \$332,760.

**Recommendation:** We recommend that the department develop and implement policies and procedures to ensure adequate supporting documentation is used to prepare the Schedule of Expenditures for Federal Awards. We also recommend the department revise the Schedule of Expenditures for Federal Awards to include the \$332,760 in expenditures.

### *Views of Responsible Official(s)*

**Contact Person:** Jack W. Pesnell, CPA

**Anticipated Completion Date:** April 30, 2006

**Corrective Action Planned:** Submit corrected “Z” report to OSF GAAP processing unit. The corrected “Z” report will show a corrected total of CFDA 97.039 (Hazard Mitigation) grants expenditures for FY2005. These expenditures will agree with those reported to FEMA (2010 quarterly report) and PMS (PMS272 quarterly report). The procedure for preparing the “GAAP” reports will be revised to ensure the correct expenditure references are used to report grant CFDA expenditures.

**REF NO:** 05-309-002

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.039

**FEDERAL PROGRAM NAME:** Hazard Mitigation Grant

**FEDERAL AWARD NUMBER:** FEMA-1355-DR-OK, FEMA-1395-DR-OK, FEMA-1401-DR-OK

**FEDERAL AWARD YEAR:** FFY2004, FFY2005

**CONTROL CATEGORY:** Cash Management

**QUESTIONED COSTS:** \$40,000

## Schedule of Findings Federal Award Findings And Question Costs

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**Criteria:** Department of Treasury, 31 CFR 205, Subpart B, Sec. 205.33 states:

- a) A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.
- b) Neither a State nor the Federal government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this subpart B.

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.”

Paragraph ( c ) Starting date of retention period-  
...the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period.

A component objective of an adequate internal control system is to provide accurate and reliable information and proper safeguarding of assets.

**Condition:** During our cash management testwork of 27 draws the following instances of noncompliance was noted:

- The agency could not provide all of the supporting documentation for one draw;
- The project warrants issued to the subrecipients were not disbursed timely or properly safeguarded.

**Effect:** By not following the Treasury Subpart B, the Department could have drawn funds earlier than they were entitled, which could cause an interest event, or used State funds when Federal funds were available. Also, without retaining proper supporting documentation, the Department is not in compliance with the record retention requirements of the Common Rule. Additionally, by not adequately safeguarding project warrants or disbursing the warrants timely, the warrants could be stolen or misplaced.

**Recommendation:** We recommend the Department establish and implement procedures to ensure federal funds are drawn for immediate cash needs. The procedures implemented should also be designed to assure project warrants issued to the subrecipients be kept in a locked file cabinet and be timely disbursed. Also, we recommend records be retained for the period stated in the Common Rule, Subpart C.

**Views of Responsible Official(s)**

**Contact Person:** Jack W. Pesnell, CPA

**Anticipated Completion Date:** 3/21/06

**Corrective Action Planned:** Draws for Management and/or Administrative expenses will be reimbursements for the previous month's Fund 400 expenditures. A copy of the prior month's management and administrative expense disbursements will be appended to the filed draw sheet as supporting detail, and the draws will be exactly for the total amounts shown.

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Additionally, project warrants will be placed in a safe overnight, or until they are to be mailed out to the payees. The records shall be maintained for a period of three (3) years from the date of the last disbursement. All warrants shall be timely delivered.

**REF NO:** 05-309-003

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.039

**FEDERAL PROGRAM NAME:** Hazard Mitigation Grant

**FEDERAL AWARD NUMBER:** FEMA-1355-DR-OK

**FEDERAL AWARD YEAR:** FFY2004, FFY2005

**CONTROL CATEGORY:** Matching

**QUESTIONED COSTS:** \$14,486

**Criteria:** The A-133 Compliance Supplement states:

The Federal and non-Federal shares of a project's cost are established in the State's FEMA-State Agreement. While the non-Federal share may exceed the Federal share, it may never be less than 25 percent of the cost of a project approved for disasters declared after June 10, 1993. (That is the Federal share may never exceed 75 percent.) ...Funds made available to a State or subgrantee in its administrative cost allowance are not subject to the requirement (44 CFR section 206.432( c )).

The State of Oklahoma Administrative Plan states:

Matching or cost sharing: All projects and plans are based on a 75/25% cost share, unless the subgrantee qualifies for an impoverished community status... The match or cost-share for PDM or HMGP may be cash or in-kind services....

**Condition:** During our matching testwork, we noted one subrecipient was overpaid \$14,486 of the federal award amount.

**Effect:** The subrecipient did not meet the 25% matching requirement for the additional funds received.

**Recommendation:** We recommend the department implement controls to monitor payment of federal awards to subrecipients and ensure the 25% matching requirement is met.

#### **Views of Responsible Official(s)**

**Contact Person:** Fred W. Liebe, Deputy Director

**Anticipated Completion Date:** April 1, 2006

**Corrective Action Planned:** Concur with the recommendation. This office will contact the applicant – Caddo County – to resolve this overpayment of federal funds to the County. The County will be asked to reimburse the above amount of \$14,486.00 to this office and the funds will be deobligated back into the HMGP grant funds for FEMA-1355-DR-OK.

**REF NO:** 05-309-004

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.039

**FEDERAL PROGRAM NAME:** Hazard Mitigation Grant

**FEDERAL AWARD NUMBER:** FEMA-1355-DR-OK

**FEDERAL AWARD YEAR:** FFY2004, FFY2005

**CONTROL CATEGORY:** Period of Availability

**QUESTIONED COSTS:** \$85,134

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**Criteria:** 44 CFR Section 13.23 - Period of availability of funds states:

- (a) General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.
- (b) Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee.

The State of Oklahoma Administrative Plan states:

Time Limitations – The State will ensure that approved work is completed within the approved period of performance. Current Hazard Mitigation Grant Program, (HMGP) and PDM policy permits three (3) years from project approval. In an effort to use HMGP grant funds more efficiently, OEM policy requires that all funds to subgrantees will be disbursed, and all activities completed, not later than three (3) years from the date of the grant award to the State. This deadline can be extended if necessary, but only in unusual circumstances...

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

**Condition:** During discussion with management and based on testwork performed for the period of availability requirement, we compared the date on the State and Local Agreement to the date on the Completion Certificate on projects during SFY 2005. Also, we reviewed vouchers paid to the subrecipients and noted the following:

- The agency was unable to provide a project file which had a requested and approved extension.
- Five (5) of the thirty-five (35) projects tested were not closed within the three year period of availability and the department did not request an extension.
- Five (5) planning projects with obligations during the period of availability that were not paid within the three year period of availability or before the end of the 90 day liquidation period.

**Effect:** Projects not being closed out within the three year period of availability and continuing to be paid after the period of availability without an approved extension could result in loss of Federal funds.

**Recommendation:** We recommend the Department implement policies and procedures to ensure projects are completed and funds are liquidated within the three year period or proper extensions are requested and approved.

**Views of Responsible Official(s)**

**Contact Person:** Fred W. Liebe, Deputy Director

**Anticipated Completion Date:** April 15, 2006

**Corrective Action Planned:** Concur with the finding. We have hired a State Hazard Mitigation Officer effective March 17, 2006; we have hired an employee to manage the unapproved Hazard Mitigation plans that are currently under development; and, we have an EM Contractor reviewing all open HMPG project applications. By the above date we should know the actual period of performance for all open HMGP project applications from FEMA-1355-DR-OK forward, and we will take corrective action to extend the period of performance where applicable.

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**REF NO:** 05-309-005

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.039

**FEDERAL PROGRAM NAME:** Hazard Mitigation Grant Program

**FEDERAL AWARD NUMBER:**

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$-0-

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

- (4) Ensure that subrecipients expending \$300,000 or more in Federal awards during subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

OMB circular A-133 Subpart C § \_\_.320 requires audit reports to be submitted within nine months after the end of the fiscal year to a pass-through entity when the schedule of findings and questioned costs disclose audit findings relating to the federal awards the pass-through entity provided. Should the schedule of findings and questioned costs not disclose audit findings relating to the federal awards the pass-through entity provided, a subrecipient can provide written notification to the pass-through entity that an audit was conducted and no findings and/or questioned costs were noted relating to the federal award to comply with the submission requirement.

State of Oklahoma Administrative Plan, Part C – Hazard Mitigation Grant Program Administration (i) states:

“ . . . Applicants expending \$300,000 or more in total Federal financial assistance in a fiscal year will be required to have an audit made in accordance with the Single Audit Act Amendments of 1996 – OMB Circular A-133. Applicants will be required to provide OEM a copy of the Single Audit.”

**Condition:** During our subrecipient monitoring testwork, we noted five of the seven subrecipients required to submit an A-133 audit, did not submit a copy of the audit report or written notification to the Department within the required time period.

**Effect:** By not receiving an A-133 independent audit, the Department has no assurance that subrecipient's awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements.

**Recommendation:** We recommend the Department implement policies and procedures to help ensure all audit reports for the applicable subrecipients are received and reviewed timely and maintained at the Departmental level.

### **Views of Responsible Official(s)**

**Contact Person:** Fred W. Liebe, Deputy Director

**Anticipated Completion Date:** February 24, 2006

**Corrective Action Planned:** The State Hazard Mitigation Administrative Plan, that was submitted to FEMA Region VI for FEMA-1623-DR-OK in February, and that was approved by FEMA Region VI on February 24, 2006, includes the requirement for applicants that receive more than \$500,000.00 in the State Fiscal Year to submit a copy of the A-133 audit in accordance with the Single Audit Act Amendments to the Oklahoma Department of Emergency Management.

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**REF NO:** 05-309-006

**STATE AGENCY:** Department of Emergency Management

**FEDERAL AGENCY:** Department of Homeland Security

**CFDA NO:** 97.039

**FEDERAL PROGRAM NAME:** Hazard Mitigation Grant Program

**FEDERAL AWARD NUMBER:** FEMA-1355-DR-OK, FEMA-1401-DR-OK

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Allowable Costs/Cost Principles

**QUESTIONED COSTS:** \$9,816

**Criteria:** According to OMB Circular A-87 Attachment A. C. *Basic Guidelines* 1. states, "To be allowable under Federal awards, costs must meet the following general criteria....d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items and j. states, " to be adequately documented"

44 CFR, 206.439 (2) State management costs--(i) Grantee. Except for the items listed in paragraph (b)(1)(i) of this section, other administration costs shall be paid in accordance with 44 CFR 13.22. Costs of State personnel

(regular time salaries only) assigned to administer the Hazard Mitigation Grant Program may be eligible when approved by the Regional Director. Such costs shall be shared in accordance with the cost share provisions of section 404 of the Act. For grantee administrative costs in the Disaster Field Office, the State shall submit a plan for the staffing of the Disaster Field office within 5 days of the opening of the office. This staffing plan shall be in accordance with the administrative plan requirements of Sec. 206.437. After the close of the Disaster Field Office, costs of State personnel (regular time salaries only) for continuing management of the hazard mitigation grants may be eligible when approved in advance by the Regional Director. The State shall submit a plan for such staffing in advance of the requirement.

**Condition:** During our testwork of projects 1355 and 1401, the following instances of noncompliance were noted:

- The department was unable to provide detailed information which would support the approved management costs for projects funded during SFY 2005. Therefore, we requested and obtained the detailed documentation from FEMA.
- For one project, the administrator costs were approved for \$78,375. However, based on a review of quarterly expenditures for the project, it appeared the actual administrative expenditures for the project were \$80,360.00. (Questioned costs \$1985.00).
- For one project, the supplies cost were approved for \$79,758.00. However, based on a review of quarterly expenditures for the project, it appeared the actual supply expenditures were \$82,539.42. (Questioned costs \$2,781.42).
- For project 1355, three (3) reservists' employees were initially approved and another (5) reservists' employees were additionally approved; however, based on a review of quarterly expenditures for each project, it appeared more reservists were charged to the projects than were approved.
- For project 1401, three (3) reservists' employees were initially approved and another (2.5) reservists' employees were additionally approved; however, based on a review of quarterly expenditures for each project, it appeared more reservists were charged to the projects than were approved.

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- For both projects, travel expenses were approved for \$13,433.34. However, based on the expenditures tested, it appears both projects actual expenses exceeded the approved amount. (Questioned costs \$5,049.83).

Although, additional funding was approved for both projects, we were unable to obtain the detail to support the use for this funding.

**Effect:** Federal awards may be expended for management costs that are not approved by FEMA.

**Recommendation:** We recommend the Department maintain proper documentation which would support all approved management costs for each project. This would include both the original management cost and any additional amounts requested.

#### **Views of Responsible Official(s)**

**Contact Person:** Fred W. Liebe, Deputy Director

**Anticipated Completion Date:** May 1, 2006

**Corrective Action Planned:** This office will coordinate with FEMA Region VI to validate the amount of management costs for the above categories that were initially projected compared to the actual amount requested. Any discrepancies, plus or minus, will be adjusted in the management costs request for the period October through December 2005 that will be submitted to FEMA Region VI.

## Department of Education

**REF NO:** 05-265-002

**STATE AGENCY:** Department of Education

**FEDERAL AGENCY:** Department of Education

**CFDA NO:** 84.010

**FEDERAL PROGRAM NAME:** Title I Grants to Local Educational Agencies

**FEDERAL AWARD NUMBER:** S010A040036A

**FEDERAL AWARD YEAR:** 2004

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** OMB Circular A-133, Subpart D § \_\_.400(d) 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."

The Oklahoma State Department of Education (OSDE) Program Compliance Review states, "monitoring reviews will be conducted in accordance with federal and state laws and/or regulations and relevant portions of the federal Office of Management and Budget (OMB) circulars." Other monitoring priorities are as follows:

- Responding to complaints regarding Title 1 funding.
- Following up on audit exceptions from the single audit.
- Monitoring Targeted Assistance Programs during the one-year planning process to participate in the school wide program.
- One-fifth of the remaining LEAs are monitored once every five years.

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Also, the accountability section of the Program Compliance Review states in part that OSDE will:

- Issue a written preliminary report of findings of compliance and/or noncompliance with required timelines for a response from the LEA.
- The LEA must submit a corrective action plan that includes specific actions and timelines to address findings of noncompliance or deficiencies.
- Follow-up to ensure findings are corrected.
- Maintain a record of reviews performed and appropriate documents to demonstrate compliance with this policy.

**Condition:** Of the 126 reviews (76 on-site and 50 desk reviews) performed in FY 2005, we tested 77 (27 on-site and 50 desk reviews) and noted the following:

Twenty-eight (28) of the fifty (50) desk reviews did not contain documentation to indicate if a Title I review had been completed by the assigned program director for FY 2005.

- Twenty-four (24) of the desk reviews contained the initial letters sent to the LEAs informing them they had been selected to participate in desk monitoring of their Title I Program. No further contact was made with the LEAs.
- Four (4) of the LEAs scheduled for a desk review were sent a letter stating they were in compliance with the regulations, however, there was no documentation in the file to indicate if a Title I review had been performed.

It appears that 98 reviews were performed (76 on-site and 22 desk) for FY '05. Therefore, the requirement that 108 of 540 (20%) LEAs be monitored once every five years was not met.

In addition, when we reviewed the subrecipient monitoring log, we were unable to determine if and when findings were noted and whether corrective action was timely on the part of the LEA, when applicable.

**Effect:** The Department may not be performing sufficient monitoring and follow up activities to ensure that LEAs are in compliance with federal requirements.

**Recommendation:** We recommend the Department monitor subrecipients in accordance with federal requirements and according to OSDE's established monitoring procedures. We also recommend that the Department develop and implement policies and procedures that will enable them to follow up on desk reviews to ensure LEAs are in compliance with federal regulations. This may include developing a universal monitoring log to be utilized and updated on a regular basis by all program directors. The monitoring log may include columns for information requested, along with a required response date and outcome of the request for information. The log may also indicate if corrective action is needed, along with a deadline date for submission of requested information.

### **Views of Responsible Official(s)**

**Contact Person:** Carol Lingreen, Title I Team Leader

**Anticipated Completion Date:**

**Corrective Action Planned:** Title I does concur with the finding and will revise a separate Title I review checklist form to include follow-up procedures to ensure that the desk review process is followed through and updated on a regular basis.

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**REF NO:** 05-265-003

**STATE AGENCY:** Department of Education

**FEDERAL AGENCY:** Department of Education

**CFDA NO:** 84.027, 84.173

**FEDERAL PROGRAM NAME:** Special Education - Grants to States, Special Education – Preschool Grants

**FEDERAL AWARD NUMBER:** H027A040051A, H173A040084

**FEDERAL AWARD YEAR:** 2004

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$-0-

**Criteria:** OMB Circular A-133, Subpart D § \_\_\_\_,400 (d) states in part, “A pass-through entity shall perform the following for the Federal awards it makes: (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

According to OMB Circular A-102 (the Common Rule), Sec. 40 (a), “Grantees are responsible for managing the day-to-day operations of grant and sub-grant supported activities. Grantees must monitor grant and sub-grant 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.”

The OMB A-133 Compliance Supplement, Part 3.M., states in part that the pass-through entity is responsible for:

*During-the-Award Monitoring* - Monitoring the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

To ensure federal funds are used for authorized purposes, monitoring should be performed for all subrecipients within a reasonable time period and include review of the subrecipient's expenditures by obtaining supporting documentation of expenditures included on the request for reimbursement for subrecipients monitored.

**Condition:** During our testwork of the Special Education Division's monitoring processes and procedures, we noted the following:

- 1.) The Division did not monitor an adequate number of subrecipients for FY 05. The Division monitored only 55 of 540 school districts. Therefore, only 10% of the school districts were monitored. At the current rate, it would take 10 years to complete the monitoring process for all school districts. This does not appear to be an adequate amount of monitoring for the award year.
- 2.) The monitoring procedures performed for FY '05 consist of 55 on-site reviews. The reviews do not include monitoring of subrecipient claims while on-site. The Division monitors the claims that are submitted for reimbursement by school districts by verifying that the function and object codes on the expenditure reports match the approved codes in the accounting system.

**Cause:** There are no monitoring procedures in place stating the number of subrecipients that should be reviewed in any given award year. Further, there are no procedures in place stating how and when subrecipient expenditures will be monitored to ensure awards are used for authorized purposes.

**Effect:** Failure to monitor an adequate number of subrecipients each year may not ensure all subrecipients are expending federal funds only for allowable activities and that performance goals are achieved. Further,

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supporting documentation of subrecipient expenditures claimed for reimbursement that are not reviewed and verified; may result in expenditures of federal funds that are not for allowable activities.

**Recommendation:** We recommend that the Division develop and implement policies and procedures to ensure an adequate number of subrecipients are monitored each year. Further, we recommend the Division develop and implement policies and procedures to ensure adequate documentation of the expenditures claimed for reimbursement are reviewed to ensure federal funds are expended only for allowable activities.

**Views of Responsible Official(s)**

**Contact Person:** Misty Kimbrough, Assistant State Superintendent, Special Education Services

**Anticipated Completion Date:**

**Corrective Action Planned:**

1. In response to the finding that the OSDE-SES did not monitor an adequate number of districts in FY 2005, it should first be noted that the United States Department of Education (USDE), Office of Special Education Programs (OSEP), does not require a cyclical on-site monitoring process or a minimum number of on-site investigations per year. However, although the OSDE-SES completed only 55 on-site monitoring investigations in FY 2005, several other monitoring steps were taken. For example, desk reviews of child count and data report information were reviewed for each of the 540 districts; if the information provided by the district raised concerns, the OSDE-SES conducted follow-up telephone investigations and on-site monitoring visits (if needed). In addition, the OSDE-SES completed 52 complaint investigations (which are considered part of the "general supervision" process by the USDE-OSEP). However, the OSDE-SES recognizes that additional steps may still be taken to ensure district compliance. Under the direction the USDE-OSEP, the OSDE-SES is currently revising monitoring procedures to include focused monitoring visits, on-site compliance reviews, and desk audit compliance reviews that will result in monitoring reports.
2. The OSDE-SES obtains copies of certification of teachers and related service personnel for each district that receives an on-site visit. The information allows the OSDE-SES to ensure that federal funds used to pay salaries are expended in a manner consistent with the Individuals with Disabilities Education Improvement Act (IDEIA). In addition to checking certification, child count is verified at each district. For FY 2006, the OSDE-SES is in the process of reviewing and developing procedures that would ensure compliance of subrecipient expenditures.

**REF NO:** 05-265-004

**STATE AGENCY:** Department of Education

**FEDERAL AGENCY:** Department of Education

**CFDA NO:** 84.027, 84.173

**FEDERAL PROGRAM NAME:** Special Education - Grants to States, Special Education - Preschool Grants

**FEDERAL AWARD NUMBER:** H027A020051A, H173A020084

**FEDERAL AWARD YEAR:** 2002

**CONTROL CATEGORY:** Earmarking

**QUESTIONED COSTS:** \$-0-

**Criteria:** The OMB Circular A-133 Compliance Supplement for Earmarking states that, "ED will inform SEAs of the amount of their IDEA-B grants that must be used for subgrants to LEAs for capacity building."

The Capacity Building is a minimum amount that has to be expended based on this maximum amount that can be set aside. The table of required amounts provided by United States Department of Education (ED) notes the minimum amount that should be spent by LEAs for Capacity Building is \$1,936,762.

The OMB Circular A-133 Compliance Supplement for Earmarking states that, "The Secretary shall determine and report to the SEA an amount that is 25% of the amount the State received under this section

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for fiscal year 1998, cumulatively adjusted by the Secretary for each succeeding fiscal year. These funds may be used for administration (20 Percent of the set aside amounts), other State –level activities, and subgrants to LEAs for capacity building.”

The table of required amounts provided by the United States Department of Education notes the 20% maximum administration for Special Education, Preschool Grants to be \$179,148.

**Condition:** During our testwork of Earmarking for the '03 Grant award for Special Education, IDEA Part B and Preschool, we noted the following:

- 1.) The minimum amount required to be expended for IDEA, Part B for capacity building is \$1,936,762. The amount expended was \$192,501.55. Therefore, the divisions' expenditures for capacity building were \$1,744,260.45 less than the amount required.
- 2.) The maximum amount that can be expended for administration of Preschool Grants is \$179,148. The amount expended was \$579,138.70. Therefore, the divisions' expenditures for administration exceeded the maximum amount allowed by \$399,992.70.

**Effect:** OSDE is not in compliance with the minimum earmarking requirements for capacity building and the maximum earmarking requirement for 20% administration according to the A-133 Compliance Supplement.

**Recommendation:** We recommend that OSDE implement appropriate steps to ensure the earmarking requirements are met for the Special Education, IDEA Part B and Preschool grant awards.

#### **Views of Responsible Official(s)**

**Contact Person:** Vonna Anderson

**Anticipated Completion Date:** 4/30/06

#### **Corrective Action Planned:**

1. The OSDE-SES will implement and utilize Microsoft Money (a budgeting and accounting program) to more efficiently track monies allocated and expended for each area under IDEA Part B federal grant awards. Use of the program will allow the OSDE-SES to maintain up-to-date records, preventing the OSDE-SES from spending too little or too much in any budgeted area. In addition, the Individuals with Disabilities Education Act (IDEA) of 2004 eliminated capacity building funds.
2. Upon additional review regarding the preschool grant, it was found that claims that should have been coded as Discretionary were coded to Administration in error by Fiscal Services. Coding for these claims will be changed to reflect the correct coding.

**REF NO:** 05-265-005

**STATE AGENCY:** Department of Education

**FEDERAL AGENCY:** Department of Education

**CFDA NO:** 84.367

**FEDERAL PROGRAM NAME:** Improving Teacher Quality State Grants

**FEDERAL AWARD NUMBER:** S367A040035A

**FEDERAL AWARD YEAR:** 2004

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$-0-

**Criteria:** OMB Circular A-133, Subpart D § \_\_\_\_,400 (d) states in part , “A pass-through entity shall perform the following for the Federal awards it makes: (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.”

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According to OMB Circular A-102 (the Common Rule), Sec. 40 (a), "Grantees are responsible for managing the day-to-day operations of grant and sub-grant supported activities. Grantees must monitor grant and sub-grant 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."

The OMB A-133 Compliance Supplement, Part 3.M., states in part that the pass-through entity is responsible for:

*During-the-Award Monitoring* - Monitoring the subrecipient's use of Federal awards through site visits or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

To ensure federal funds are used for authorized purposes, monitoring should be performed for all subrecipients within a reasonable time period and include review of the subrecipient's expenditures by obtaining supporting documentation of expenditures included on the request for reimbursement for subrecipient's monitored.

**Condition:** During our testwork of the Title IIA Division's monitoring processes and procedures, we noted the following:

- 3.) The Division did not monitor an adequate number of subrecipients in FY 05. The Division monitored only 27 out of 540 school districts. The 540 school districts include 277 that "reaped" to another program. Reaped funds do not lose their identity when transferred to another program; therefore, the expenditures are still charged to Title II and should be monitored as such. As a result, only 5% of the school districts were monitored for FY '05. At the current rate, it would take 20 years to complete monitoring of all school districts. This does not appear to be an adequate amount of monitoring for one award year.
- 4.) Monitoring procedures consist of 27 self evaluations obtained from the schools. The self-evaluations are in-house reviews and only monitored for performance. The Division does not perform on-site visits. The Division monitors the claims that are submitted for reimbursement by school districts by verifying that the function and object codes on the expenditure reports match the approved codes in the accounting system.

**Cause:** There are no monitoring procedures in place stating the number of subrecipients that should be reviewed in any given award year. Further, there are no procedures in place stating how and when subrecipient expenditures will be monitored to ensure awards are used for authorized purposes.

**Effect:** Failure to monitor a reasonable number of subrecipients each year may not ensure all subrecipients are expending federal funds only for allowable activities and that performance goals are achieved. Further, supporting documentation of subrecipient expenditures claimed for reimbursement that are not reviewed and verified; may result in expenditures of federal funds that are not for allowable activities.

**Recommendation:** We recommend that the Division develop and implement policies and procedures to ensure an adequate number of subrecipients are monitored each year. Further, we recommend the Division develop and implement financial policies and procedures to ensure adequate documentation of the expenditures claimed for reimbursement are reviewed to ensure federal funds are expended only for allowable activities.

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#### *Views of Responsible Official(s)*

**Contact Person:** Gayle Castle, Team Leader

**Anticipated Completion Date:** Monitoring Plan has been implemented for FY 2006.

**Corrective Action Planned:** The Title IIA Division has developed and implemented a monitoring plan for this program. At least twenty percent of participating districts will be selected each year for during-the-award year compliance reviews. One hundred ten (110) districts have been randomly selected to complete compliance reviews in 2006. Additional districts have been selected for the subsequent four years to ensure that all districts will receive during-the-award compliance reviews within a five year period. Thirty-four of the 2006 district compliance reviews have been completed with the remainder to be completed by the end of March 2006. A close review of expenditure reports and activities for all districts continues throughout the fiscal year. Expenditures claimed for reimbursement are reviewed in detail and verified to ensure that funds are used for allowable activities. Expenditures are compared with the approved activities in the grant application and function and object codes in the approved budget. Supporting documentation or further explanation of expenditures is requested when needed. Expenditure claims from districts participating in the during-the-award monitoring will receive a second review before payment.

The Title IIA Division has policies and procedures in place to ensure that throughout the period of the grant award, districts are monitored for compliance with program requirements as set forth in OMB Circular A-87, and in OMB Circular A-133 Compliance Supplement Part 3.M. The Compliance Review (Self-Monitoring Checklist) is only one facet of the entire compliance review process.

In addition, staff uses the following procedures to meet the requirements of the monitoring plan which was approved by the USDE in the Oklahoma Consolidated State Plan:

- Conducting and documenting telephone interviews
- Requiring detailed information prior to approval of application and/or budget revision
- Reviewing of detailed expenditure reports to ensure funds are expended for allowable activities.
- Requesting/receiving of additional supporting documentation from the LEAs
- Annual performance reports
- Annual audit reviews
- The SDE Student Testing Section also collects data to ensure that district performance goals are being achieved.

### Department of Health

**REF NO:** 05-340-001

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Grants

**FEDERAL AWARD NUMBER:** H23/CCH622541-02 and H23/CCH622541-03

**FEDERAL AWARD YEAR:** CY 2004 and CY 2005

**CONTROL CATEGORY:** Eligibility, Subrecipient Monitoring, Special Tests and Provisions – Record of Immunization, and Special Tests and Provisions – Monitoring For-Profit Subrecipients

**QUESTIONED COSTS:** \$-0-

**Criteria:** The 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.”

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In addition, the Immunization Program has VFC Procedure 2.a. - VFC Quality Assurance (QA) Protocol Standard Levels for Public and Private Providers. These procedures state that during a QA Site Visit, if the field representative finds a provider to be in noncompliance with VFC standards, the field representative must perform follow-up on the findings by either calling the provider at a later date or performing another site visit to determine if the provider has corrected the problem and is now in compliance with VFC standards.

**Condition:** During our review of 72 quality assurance site visits, we noted the following control weaknesses:

- Sixty-four (64) instances in which a supervisory review form was not present in the file.
- Two (2) instances in which a supervisory review form was present; however, the form was not completed.
- Six (6) instances in which a supervisory review form was present and completed; however, it was completed by the same person who prepared the quality assurance site visit form.
- Nineteen (19) instances in which the percentage of vaccines on-site at time of visit was documented on the Vaccine Accountability Report. However, the actual number of vaccines counted to support the percentage reported was not documented.
- One (1) instance in which the eligibility and the immunization record question was not answered on the questionnaire form; however, the required documentation record review form to support eligibility and Vaccine Accountability was present.
- Four (4) instances in which the eligibility question on the questionnaire was complete; however the Required Documentation Record Review report was not present in the file. As a result we were unable to determine which 30 children were tested.

In addition we noted the following instances of noncompliance:

- Eight (8) instances in which the on-site visit questionnaire indicated standards were not met and a follow-up visit did not appear to have been performed.
- Three (3) instances in which the on-site visit questionnaire were not located in the file. However, a copy of the form was provided to us from the department's database. The department was unable to provide us copies of the Vaccine Accountability Report documenting the accountability percentage.
- Two (2) instances in which the feedback session and follow-up form was not present in the file; therefore, we were unable to determine if a follow-up was required and if appropriate action was taken.
- Two (2) instances in which the vaccine accountability percentage was below the standard of 90% and the feedback session and follow-up form indicated standards were met. As a result, no follow-up was performed.
- One (1) instance in which the percent of eligibility recorded on the VFC QA-AFIX Visit Follow-up Form indicates only 2 children were given VFC shots that were not VFC eligible; however, the Required Documentation Record Review Form indicates 4 children were not eligible to receive VFC vaccines. We were unable to determine if 2 children listed on the record review form were

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truly eligible or were not considered in the percentage of eligibility calculation. This discrepancy could indicate a follow-up was needed and not performed.

**Effect:** Inadequate subrecipient monitoring could lead to the continual noncompliance of the subrecipients and the improper use of vaccine, which could lead to the loss of vaccine inventory.

**Recommendation:** We recommend the department establish and implement policies and procedures to ensure a supervisory review of all Quality Assurance site visits is performed by someone other than the preparer.

This review should include procedures to ensure the QA site visit form is complete, all supporting documentation has been attached, and follow-up visits have been performed when needed.

We further recommend the department establish and implement policies and procedures to require documentation of the actual number counted for each vaccine, rather than just the percentage of vaccine present at the time of visit.

### **Views of Responsible Official(s)**

**Contact Person:** Ken Cadaret

**Anticipated Completion Date:** January 30, 2006

#### **Corrective Action Planned:**

We concur that a systematic review of each record is needed. To establish a system to accomplish this review a protocol has been established and has been created and initiated as of January 1, 2006.

1. However, this protocol has been created to review the completeness of each record, not a supervisory review. Additionally, due to logistics, each Regional Immunization Coordinator will review their own visits along with all visits performed by Immunization Field Consultants conducting visits within their assigned region. An additional 10% of all records will receive a second review by the Director of Field Operations.
2. The methodology to be used will ensure the QA site visit form is complete, and follow-up visits have been performed when needed.

Documentation of the actual amount (number) of each vaccine counted during the site visit is addressed in a protocol to be finalized by January 20, 2006.

It important to note that the records examined for this review were a combination of two different program/calendar years. Records were viewed from the last six months of 2004 and the first six months of 2005. During 2004 time span a review tool was used on all records without a specific procedure in place. In 2005 a review tool was used at the discretion of Regional Immunization Coordinator and thus should not have been expected to be used on every record.

**REF NO:** 05-340-002

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Grants

**FEDERAL AWARD NUMBER:** H23/CCH622541-02 and H23/CCH622541-03

**FEDERAL AWARD YEAR:** CY 2004 and CY 2005

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$-0-

**Criteria:** The informal policy for the Immunization department as stated on the Oklahoma State Department of Health website:

What are the Vaccines For Children Program requirements?

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· Complete the Provider Profile annually.

**Condition:** During our testwork of 72 provider enrollment forms and updated provider profile forms, we found the Department did not have an updated provider profile form for 8 providers.

**Effect:** Without an updated provider profile the Department does not have a current record of those who possess a medical license or are authorized to write prescriptions or administer vaccinations.

**Recommendation:** We recommend that the Department ensure copies of all agreements with the providers be maintained in the providers file in the Immunization Department at the Oklahoma State Department of Health. We also recommend that the Department establish and implement policies and procedures to ensure an updated provider profile form is received before vaccines are shipped to the provider.

**Views of Responsible Official(s)**

**Contact Person:** Ken Cadaret

**Anticipated Completion Date:** Completed

**Corrective Action Planned:** At the time of this audit the problem with incomplete VFC Provider Agreement forms had been identified and were in the process of being resolved. In March of 2005 all providers were sent re-enrollment materials, however, not all agreements had been returned to the OSDH Immunization Service at the time the state auditors were reviewing provider files. Currently, all VFC providers now have an agreement on file or they have been placed on an "inactive" status and no longer receive vaccine.

New providers will now complete a VFC Provider Agreement that will be kept on file at the OSDH Immunization Service in accordance with existing service policy. The Director of Field operations will coordinate the collection of the completed Provider Profile during the last quarter of the year. This completed Provider Profile will be filed in the Provider's master file that is maintained at the OSDH Immunization Service. The Director of Field Operations will also ensure that the completed Profile information is entered into VACMAN.

**REF NO:** 05-340-003

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.283

**FEDERAL PROGRAM NAME:** Centers for Disease Control – Investigations and Technical Assistance

**FEDERAL AWARD NUMBER:** U90/CCU616982-04, U55CCU621951-03

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$0

**Criteria:** OMB Circular A-133, Subpart D, §\_400(d)(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 contracts or grant agreements and that performance goals are achieved."

OMB Circular A-102 Common Rule §\_40(a) states, "Grantee 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."

**Condition:** For the four Breast and Cervical Cancer Early Detection Program subrecipients, Department personnel were unable to locate documentation showing that each of the subrecipients received an on-site visit at least once during the period of July 1, 2004 to June 30, 2005.

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

**Recommendation:** We recommend the Department establish and implement policies and procedures to ensure every subrecipient receives an on-site visit at least once a year and documentation of the visit is maintained.

#### **Views of Responsible Official(s)**

**Contact Person:** Cheryl "Charlie" Jones, RN

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** In accordance with the OSDH Contract Monitoring and Administration Procedures Manual, site reviews of sub-recipients will be conducted in SFY '06 and will be documented in the BCCEDP Program and in the OSDH Procurement file.

**BCCEDP Response:** The BCCEDP Program concurs with the audit recommendation. The program did perform monitoring of subrecipient contracts in the form of patient record and form reviews. Utilizing this method of contract monitoring they were able to ensure compliance with program policy and clinical standards. They also performed various site visits for outreach planning, training and technical assistance during the contract period however they were unable to locate documentation to support all site visits with subrecipient contractors.

**REF NO:** 05-340-004

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Grants

**FEDERAL AWARD NUMBER:** H23/CCH622541-02 and H23/CCH622541-03

**FEDERAL AWARD YEAR:** CY 2004 and CY 2005

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$-0-

**Criteria:** OMB Circular A-133 Subpart D § \_\_\_. 400(d) states: "A pass-through entity shall perform the following for the Federal awards it makes: (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name, and number, award year, if the award is R&D, and name of Federal agency . . . . (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity."

OMB Circular A-133 Compliance Supplement states, "The value of vaccine received by the States and its subrecipients as well as grant funds shall be included in the total expenditures of CFDA 93.268 when determining Type A programs. The value of vaccine shall be included with grant funds on the Schedule of Expenditures of Federal Awards."

**Condition:** It appears not-for-profit subrecipient receiving vaccines under the Immunization program are not being notified of required information such as CFDA title and number, award name, and number, award year and of the federal requirement that vaccines received under the program must be reported as a federal award on their Schedule of Expenditures of Federal Awards.

**Effect:** Not-for-profit subrecipients may not be aware the vaccines being received are a part of a federal program and must be reported on their Schedule of Federal Awards and therefore, not reporting them as such.

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**Recommendation:** We recommend the Department review and revise the provider enrollment form and/or orientation packet to include required program information to ensure Not-for-profit providers are aware of program information and requirements.

**Views of Responsible Official(s)**

**Contact Person:** Don Blose

**Anticipated Completion Date:** 12/31/06

**Corrective Action Planned:** The Department concurs and will revise the provider enrollment form and the provider program profile form to include the CFDA title and number, award name and number and award year to ensure not-for-profit providers can accurately report vaccines as required.

**REF NO:** 05-340-005

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Grants

**FEDERAL AWARD NUMBER:** H23/CCH622541-02 and H23/CCH622541-03

**FEDERAL AWARD YEAR:** CY 2004 and CY 2005

**CONTROL CATEGORY:** Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine

**QUESTIONED COSTS:** \$-0-

**Criteria:** According to the OMB A-133 Compliance Supplement, "Effective control and accountability must be maintained for all vaccine. Vaccine must be adequately safeguarded and used solely for authorized purposes. (A-102 Common Rule §\_\_.20)"

According to Circular A-102 Common Rule '\_\_\_\_\_. 20(b)(3), "Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

Also according to Circular A-102 Common Rule '\_\_\_\_\_.42(b)(1), "Length of retention period. Except as otherwise provided, records must be retained for three years from starting date of retention period."

**Condition:** During our recalculation of 3 monthly vaccine inventory counts to VACMAN, we were unable to reconcile the vaccine amount reported in VACMAN to inventory count records for 9 vaccines in the June 2005. In order to ensure a reconciliation adjustment was not made after June 2005, we performed the same recalculation of inventory reports to VACMAN for the month of July 2005. From this recalculation, it appears the inventory records do reconcile to VACMAN for July; however, we could not find documentation of an adjustment made to account for this.

In addition, the Department was unable to provide us with inventory count records before January 2005.

**Effect:** Inventory records may not be reliable; therefore the Department may not be able to ensure adequate vaccine accountability.

**Recommendation:** We recommend the Immunization Division develop and implement policies and procedures to ensure proper control and accountability, including accurate records, are maintained for vaccine. At a minimum, this should include maintaining all vaccine count-related documentation for a minimum of 3 years in accordance with the Common Rule requirements. In addition, we recommend that the Division maintain detailed records regarding any adjustments made to vaccine inventory records.

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#### *Views of Responsible Official(s)*

**Contact Person:** Dorothy Cox

**Anticipated Completion Date:** May 2006

**Corrective Action Planned:** The Immunization Service has contracted with a third-party distribution company to store, inventory, pack and ship our vaccines. This will enhance our accountability and accurate record keeping procedures. The shipping company – Henry Schein will provide storage, pick, count, and re-count the vaccines that are shipped to the providers. Our vaccines will continue to be entered into our Vacman system, we pick the lot numbers that are to be shipped out and then the company ships them to our providers. A weekly inventory is physically done with the shipping company and an inventory is generated from our Vacman system. The two inventories are compared and if a discrepancy is found a search is then made to find out where the mistake was made. We still request that if a provider receives a different lot number or different amount than is on the invoice, that they contact the Immunization Service. The Immunization Service will then contact the shipping company and a complete follow up will take place. The discrepancy will be documented with Vacman and by e-mail with the shipping company. These changes will be kept in Vacman and printed out and kept in a file.

**REF NO:** 05-340-006

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.283

**FEDERAL PROGRAM NAME:** Centers for Disease Control - Investigations and Technical Assistance

**FEDERAL AWARD NUMBER:** U90/CCU616982-05

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Equipment and Real Property Management

**QUESTIONED COSTS:** \$3,293

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

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

74 O.S., § 110.1, states, in part:

- A. The Director of Central Services shall have the authority to promulgate rules to implement the provisions of this section.
- B. For entities included in subsection A of this section, the Director of Central Services shall specify a tangible asset reporting threshold for each entity, . . .
- C. Rules that the Director of Central Services promulgates shall cause all tangible assets to be properly coded, tagged, or marked in such a manner that they may be readily identified as property of the State of Oklahoma and that statistical records may be maintained.

OAC 580: 70-1-3 (a) General threshold, states, “Unless the Director specifies otherwise (Reference (b) of this Section), the threshold for tangible asset inventory reports is \$500.00.”

OAC 580: 70-3-1 (a) Report due date, states, “All agencies must submit an annual report of

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current inventory of tangible assets owned by the agency as of June 30 of the preceding fiscal year to the Department by August 15. The report shall include all tangible assets based upon the threshold stated in 580:70-1-3(a).”

OAC 580: 70-5-1 (a) Inventory tags, states, “An agency shall affix a unique identifier as an inventory tag to all tangible assets.”

**Condition:** We selected a sample of 14 equipment claims, totaling \$1,999,830.53. From these claims we tested a total of 98 individual equipment items, totaling \$1,244,514.01. The following exceptions were noted:

- 41 of the items did not appear to have been included in the OSDH’s inventory records. Of these items 39 of them were all on 1 claim;
- The value for 1 item in OSDH’s inventory records did not appear to include the cost of installation needed to make the item operational.
- An OSDH Inventory Tag could not be located on 43 of the items tested. Of these items, 39 of them were all on 1 claim;
- 1 item in which the item did not appear to be in use for Bioterrorism purposes; (Questioned costs \$868)
- OSDH personnel was unable to locate 1 item (Questioned costs \$2,425)

In addition, although the Department appears to have performed a physical inventory count of equipment, the count had not been reconciled to the agency inventory records as of June 30, 2005. We also noted the salvage value of all assets in the Department’s inventory records is set at 10% of the items original value.

**Cause:** Some of the assets not listed on the inventory records appear to have been purchased by a subrecipient and reimbursed by OSDH; however, the asset information was not provided to Shipping and Receiving to be entered into the inventory records before payment was made.

**Effect:** Without accurate and timely inventory records, OSDH is unable to demonstrate proper accountability over equipment purchased with Federal awards.

**Recommendation:** We recommend the Department continue in its efforts to establish and implement inventory policy that would:

- allow for cyclical physical inventory counts and reconciliation of counts to inventory records;
- ensure equipment purchased by both OSDH and subrecipients are entered into OSDH’s inventory records and OSDH inventory tag numbers are assigned;
- ensure inventory tags are affixed to actual item;
- ensure value of asset reported in inventory records is the amount actually paid for the item and includes freight, installation and/or other charges which are needed to place the asset into its intended location and condition for use;
- establish salvage value in accordance with generally accepted accounting principles.

### **Views of Responsible Official(s)**

**Contact Person:** Tamela Gibson-Agahnia

**Anticipated Completion Date:** see corrective action planned

**Corrective Action Planned:**

1<sup>st</sup> bullet The Scimetrics purchase order was identified early in 2005, but Inventory staff could not obtain the component or part details to determine if more than one inventory tag should be assigned to this purchase. An error was made when the total system was not entered into the inventory records while investigations were being made. A change in process has been made to insure the asset is entered into inventory and questions documented in the comments field. Shipping and Receiving has

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also contacted lab personnel to insure any assets procured and installed as “in-lab” delivery are coordinated for inventory purposes. The remaining 40 items have been added to the inventory records and system safeguards have been discussed/reviewed with staff in TPRS, Shipping & Receiving, Inventory, and Accounting Services to insure future asset reimbursements are entered into inventory prior to payment being issued.

2<sup>nd</sup> bullet The services for the installation of the asset were added to the purchase order via a change order issued after the original order. Shipping and Receiving will be coordinating with Procurement Services on change order issues and we will diligently review all asset purchases to insure these costs are represented in the value of the asset entered into inventory.

3<sup>rd</sup> bullet Three of the items were previously assigned inventory tags. Two replacement tags have been mailed (McCurtain and Kingfisher) and OSDH personnel on 03-20-06 placed a replacement tag on the Mass Spectrometer during a physical inventory at the Department of Agriculture. TCCHD reimbursed assets have been assigned and mailed inventory tags for the remaining assets (some of the 40 items are components of a single unit, so less than 40 numbers will be assigned). A physical inventory at this site has been scheduled for April 20-21, 2006 to verify tags have been affixed to the items and to perform an inspection.

4<sup>th</sup> bullet Item was procured to conduct training for BT purposes and has been physically transferred from HR to BT on 03-20-06 for use by the BT training personnel currently on staff. An OSDH 83B has been completed to document this transfer to insure the asset is utilized for the purpose it was intended.

5<sup>th</sup> bullet Laptop computer was reported missing/lost/stolen to OU Campus Police on 03-21-06. This item may still be located, but significant activity took place in the warehouse during the month of February based on a directive from the Commissioner to review all contents in the warehouse area and remove those not authorized according to current agency policy. Additional safeguards are being implemented to further protect items temporarily stored in the warehouse area. Changes to be completed by June 30, 2006 to the physical warehouse include upgrading the access control system to limit access and replacement of the DVR closed circuit camera system. We also plan to coordinate and meet with ITS on computer hardware issues to determine if additional system changes would provide a greater level of security for these high risk assets

**REF NO:** 05-340-006IT

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Grants

**FEDERAL AWARD NUMBER:** H23/CCH622541-02

**FEDERAL AWRD YEAR:** CY 2004

**CONTROL CATEGORY:** Other

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4), information services function management should ensure that a written disaster recovery plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software)

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- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Specific equipment and supply needs are identified such as high speed printers, signatures, forms, communications equipment, telephones, etc. and a source and alternative source defined;
- Training and/or awareness of individual and group roles in continuity plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

In addition according to HIPAA Subpart C-Security Standards for the Protection of Electronic Protected Health Information. § 164.308(a)(7)(ii)(B) *Disaster Recovery Plan* (Required). Establish (and implement as needed) procedures to restore any loss of data.

**Condition:** Based upon our review of the Disaster Recovery Plan, it was noted that many of the items listed above were not included in the plan.

**Cause:** Disaster Recovery Plan did not include all essential elements for establishing an adequate plan.

**Effect:** The lack of an effective and adequate Disaster Recovery Plan could result in potential loss of:

- Financial Data.
- Client Information.
- Network Services.
- Organizational Structure Documentation.
- Federal Reporting Data.

**Recommendation:** OSDH is a “covered entity” within the HIPAA standards. We recommend the OSDH review and update their Disaster Recovery Plan to ensure safekeeping and integrity of agency data. In addition, this update and review should ensure that OSDH for the security guidelines and procedure requirements of HIPAA effective April 21, 2005. We suggest that once the plan is completed, OSDH should test their disaster recovery capabilities.

**Views of Responsible Official(s)**

**Contact Person:** Joe Camp

**Anticipated Completion Date:**

**Corrective Action Planned:** We are still gathering information. We do not have a Continuation of Business Plan at this time.

**REF NO:** 05-340-007

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.283

**FEDERAL PROGRAM NAME:** Center for Disease Control – Investigation and Technical Assistance

**FEDERAL AWARD NUMBER:** U55CCU621951-03

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Earmarking

**QUESTIONED COSTS:** Undeterminable

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**Criteria:** A component objective of generally accepted accounting principles is to provide for the proper accounting of funds.

In addition, the Breast and Cervical Cancer Early Detection Program grant guidance for June 30, 2002 through June 29, 2007 H.2.b. (1) states:

60/40 Requirement: Not less than 60 percent of cooperative agreement funds must be spent on screening, tracking, follow-up, and the provisions of the appropriate individually provided support services. Cooperative agreement funds supporting public education and outreach, professional education, quality assurance and improvement, surveillance and program evaluation, partnerships, and management may not exceed 40 percent of the approved budget (Section 1503(a) (1) and (4) of the PHS Act, as amended).

H.2.b. (3) states, "Administrative Expenses: Not more than 10 percent of the total funds awarded may be spent annually for administrative expenses. These administrative expenses are in lieu of and replace indirect costs (Section 1504(f) of the PHS Act, as amended). Administrative expenses comprise a portion of the 40 percent component of the budget."

**Condition:** Based on discussion with Department management and review of accounting records, it appears OSDH does not track the Breast and Cervical Grant expenditures at a level which would allow for the conclusive determination of whether or not the earmarking requirement was met.

**Cause:** The accounting system does not code expenditures in a manner that would allow them to be accurately categorized as applying towards the 60, 40, or 10 percent requirements.

**Effect:** Without proper accounting of federal funds, the Department cannot verify it's compliance with the earmarking requirement. This could result in potential non-compliance with the requirements.

**Recommendation:** We recommend the Department establish procedures to ensure Breast and Cervical Cancer Early Detection Program Grant expenditures are tracked for compliance with the earmarking requirements. In addition, we recommend the Department implement necessary accounting codes in the Fiscal system and Time and Effort system to ensure actual expenditures can be accounted for under the applicable earmarking requirement.

#### **Views of Responsible Official(s)**

**Contact Person:** Julie Cox-Kain

**Anticipated Completion Date:** 6/30/06

**Corrective Action Planned:** The Department concurs with this finding and will implement a tracking system prior to beginning of the next grant period (7/1/06) in order to monitor compliance with the earmarking requirement.

**REF NO:** 05-340-007IT

**STATE AGENCY:** Department of Health

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.268

**FEDERAL PROGRAM NAME:** Immunization Grants

**FEDERAL AWARD NUMBER:** H23/CCH622541-02

**FEDERAL AWRD YEAR:** CY 2004

**CONTROL CATEGORY:** Other

**Criteria:** According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support DS5), information services function management should ensure that safeguards exist

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to guard information against unauthorized use, disclosure or modification, damage or loss with access controls that ensure access to systems, data and programs are restricted to authorized users.

**Condition:** The Information Technology Services Division does not have security policies or procedures in place.

**Effect:** The lack of formal management policies on information security increases the potential for loss of:

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

**Recommendation:** We recommend the Division develop security policies and procedures to ensure that the ITS Division has a clear understanding of managements' emphasis on information security.

**Views of Responsible Official(s)**

**Contact Person:** Joe Camp

**Anticipated Completion Date:** April, 2005

**Corrective Action Planned:** OSDH adopted several security policies prior to April 20, 2005. Procedures to implement these policies will be put in place during the second half of 2005.

### Health Care Authority

**REF NO:** 05-807-003

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50405OK5028 and 50505OK5028

**FEDERAL AWARD YEAR:** 2004 and 2005

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

**QUESTIONED COSTS:** \$0

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

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

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

The Authority's internal control should ensure documentation (HCFA 1539 forms) is maintained to support that the provider met the prescribed health and safety standards.

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**Condition:** We selected a sample of forty-five long-term care providers to ensure the Authority had documentation that the provider met the prescribed health and safety standards. We noted the following:

- Three provider files did not include a HCFA 1539 form; however, this form was included in the same provider files at the OSDH.
- Two provider files at OHCA did not include a HCFA 1539 form indicating the facility had been recertified. The HCFA 1539 noted indicated “pending certification, facility not in compliance”. However this form, with the recertification date, was included in the same provider files at OSDH.
- One provider files at OSDH did not contain the HCFA 1539 form; however, this form was included in the same provider file at OHCA.

**Effect:** Providers may continue to receive Medicaid payments even though they have not met the required health and safety standards.

**Recommendation:** We recommend the Authority and the Department of Health review the procedures in place for the Department of Health’s notification to the Authority regarding provider certification. Consideration should be given as to whether these procedures are adequate. Additionally, we recommend the Authority and the Department of Health ensure all HCFA 1539 forms are maintained to ensure each provider has met the required health and safety standards.

#### **Views of Responsible Official(s)**

**Contact Person:** Beth Van Horn

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Both OHCA and Department of Health files now contain the questioned forms. As a long term solution, we are working with the DOH to develop a single file access to the certification forms (form 1539).

**REF NO:** 05-807-004

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50405OK5028, 50505OK5028

**FEDERAL AWARD YEAR:** 2004, 2005

**CONTROL CATEGORY:** Special Tests and Provisions-Utilization Control and Program Integrity

**QUESTIONED COSTS:** \$-0-

**Criteria:** 42 CFR 456.22 states, “To promote the most effective and appropriate use of available services and facilities, the Medicaid agency must have procedures for the on-going evaluation, on a sample basis, of the need for and the quality and timeliness of Medicaid Services.”

Social Security Act 1154 (42 U.S.C. 1320c-3(a)(10) states, “The organizations shall coordinate activities, including information exchanges, which are consistent with economical and efficient operation of programs among appropriate public and private agencies or organizations including – (B) other peer review organizations having contracts under this part.”

According to the SFY 2005 contract between OHCA and its quality improvement organization (QIO), Attachment A “Hospital Retrospective Reviews Fee-For-Service Program,” Section A.5 states in part, “OFMQ shall analyze these cases with the first level of review being completed 50 days from the date of selection or 65 days from receipt of the tape, whichever comes first.”

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According to the SFY 2005 contract between OHCA and its quality improvement organization (QIO), Attachment A "Hospital Retrospective Reviews Fee-For-Service Program," Section A.9 states in part, "Should a provider file an appeal with OFMQ and submit additional documentation, OFMQ agrees to decide the reconsideration within forty-five (45) days of the receipt of the documentation from the provider."

**Condition:** During the testing of forty-five (45) cases, we noted thirty-two (32) instances where the first level of review was completed more than 50 days from the date of selection or 65 days from receipt of the tape, whichever comes first. We also noted that the five (5) cases that were appealed did not have the reconsideration decided within forty-five (45) days of the receipt of the documentation from the provider.

**Effect:** It appears OFMQ is not performing reviews in accordance with the time frame outlined in the contract. This could potentially lead to providers receiving inappropriate payments for services while their review is in process.

**Recommendation:** We recommend the Authority monitor and coordinate activities to ensure the timeliness of the reviews performed by OFMQ. In addition, the Authority and OFMQ should revisit the contract and consider revising the 50 and 65 day time frames if they are not deemed reasonable for the completion of reviews.

### **Views of Responsible Official(s)**

**Contact Person:** Angela Shoffner

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** Our responses are as follows:

- Condition 1 – We concur with this finding. In November 2004, as part of OHCA's ongoing monitoring activities of OFMQ contract requirements, we identified this same issue. Corrective action was taken immediately. A bi-weekly status report requirement was implemented and timeline for completing those that were behind schedule was set for March 31, 2005. OFMQ met this timeline. The bi-weekly status report was made a component of the SFY 06 contract and OFMQ is now substantially (>97%) meeting their review requirements.
- Condition 2 – Further research is being performed, appropriate actions will be taken based on our research.

**REF NO:** 05-807-005

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778, 93.767

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

**FEDERAL AWARD NUMBER:** 50405OK5028, 50505OK5028 and 0405OK5021, 0505OK5021

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Allowable Costs/Cost Principles

**QUESTIONED COSTS:** Unknown

**Criteria:** According to the Drug Rebates Procedures Manual, Section 5:

Interest is applied to disputed or unpaid amounts and late rebate payments. Interest begins to accrue 38 calendar days from the date the invoice is mailed, using the postmark on the envelope made by the U.S. Postal Service or other common mail carrier, not a postage meter stamp.

The interest calculation is based on a 365-day year with simple interest applied to the average of the yield of the weekly 90-day T-bill auction rates during the period for which interest is charged.

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According to the CMS Medicaid Drug Rebate Program Release #94 for State Medicaid Directors:

We are requesting that all States report to CMS, on an ongoing basis, those labelers that are not paying rebates to States in accordance with section 1927 of the Social Security Act and the Rebate Agreement. If the labeler is not paying rebates and is not disputing the corresponding units for those rebates, the labeler should be reported as soon as possible. However, before reporting the labeler(s), please ensure that you have contacted the labeler(s) to discuss the reason for nonpayment and that your contacts are documented. Although CMS is not responsible for collecting rebates, we can assist States in obtaining labeler compliance. In addition, CMS's knowledge of nonpaid rebates would be a consideration in the reinstatement of any labeler to the program.

**Condition:** Based on conversations with personnel in the Drug Rebate Division and testwork performed, it appears OHCA is not applying interest to disputed or unpaid amounts. Five (5) of the fifty (50) labelers tested did not pay interest on a disputed amount.

During testwork, we also noted that two (2) labelers did not respond to OHCA's invoice. Based on our conversation with the Drug Rebate Manager, it appears OHCA has continued billing the labelers; however, the labelers' nonpayment has not been reported to CMS, nor has interest been charged for the unpaid amounts.

**Effect:** Without proper controls and receivable balances, it is possible OHCA is not receiving all interest payments due from the labelers. If a labeler is not reported to CMS for nonpayment, the labeler may continue to participate in the drug rebate program without paying the rebate.

**Recommendation:** We recommend the Drug Rebate Division adjust the accounts receivables to reflect the correct billing and payment histories and bill labelers for unpaid interest. We also recommend the Drug Rebate Division pursue other avenues for contacting the labeler and if this yields no results, OHCA report the labeler to CMS.

#### **Views of Responsible Official(s)**

**Contact Person:** Tom Simonson, Drug Rebate Manager

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding.

1. We have already implemented procedures to manually compute and bill interest due on late payments and disputed payments, and have been doing so since 10-1-2004. We are also sending out late notices on past due payments. One notice is a reminder for current quarter rebates, and the second notice contains a full accounts receivable statement for all outstanding quarters.
2. We have completed the posting of all rebate payments to the NDC/Quarter level, from 1-1-91 thru 12-31-98 as stated in last year's response.
3. We are in the process of adjusting all receivable accounts to the correct balances. We expect to complete this task by June 30, 2006.
4. The computer program is already in place to automatically bill interest on late payments and disputed amounts, and after the accounts receivable have been adjusted to the correct balances, we will "turn on" the interest billing program. We expect to implement on July 1, 2006.
5. We will document all attempts to collect outstanding rebates from labelers, and if this yields no results, we will report the labeler to CMS.

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**REF NO:** 05-807-006

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50405OK5028 and 50505OK5028

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Period of Availability

**QUESTIONED COSTS:** \$1,151

**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 services.”

Oklahoma Administrative Code 317:30-3-11 states:

“(a) According to federal regulations, claims must be received by the Fiscal Agent 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 the service was provided and the date of receipt of the claim by the Fiscal Agent. Federal regulations provide no exceptions to this requirement. Because of this requirement, caution should be exercised to assure claims are filed timely in all cases where an application for assistance has been filed. The following procedure is recommended. If the service is approaching the one year time lime and a case number has not been assigned and an approval for medical assistance has not been received, or these is a case number by the medical assistance case has not been approved, file a claim. The claim will be denied, however, the denial is proof of timely filing.”

**Condition:** We selected a sample of one hundred and forty paid claims (70 Medicaid & 70 SCHIP) to ensure documentation of timely filing was submitted to OHCA. We noted that twenty-one (21) claims did not appear to meet the timely filing requirement

**Effect:** Providers may continue to receive Medicaid payments even though they have not met the timely processing of claims.

**Recommendation:** We recommend the Authority review the procedures in place to ensure claims are submitted in compliance with the timely filing requirement and implement any new procedures deemed necessary.

### **Views of Responsible Official(s)**

**Contact Person:** Kelly Shropshire

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. 19 of the 21 questioned claims were submitted by Heartland Health Plan, a HMO providing services through our fully capitated SoonerCare Plus health plan. The federal share applicable to these claims will be refunded to CMS. No further action is necessary as the Plus program was terminated effective December 31, 2004.

The remaining 2 claims were forced for payment. Further analysis of these claims will be performed and appropriate actions will be taken.

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**REF NO:** 05-807-007

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.767

**FEDERAL PROGRAM NAME:** State Children's Insurance Program

**FEDERAL AWARD NUMBER:** 50405OK5021 and 50505OK5021

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Reporting

**Criteria:** Management should establish and foster a strong system of internal controls over the disbursement of Federal Awards. To be effective, the system of internal controls must be both adequately designed and complied with.

Form CMS 21L states, line 8B should contain "Expenditures Currently Claimed Under Section 2105(a)(2)", line 2A should contain "Expenditures Claimed In The Current Quarter – Section 2105(a)(1)" and line 9 should contain "Total Of Lines 8A and 8B".

**Condition:** During our testwork of Form CMS 21L, we noted line 8B reported an amount of \$0 and line 2A reported an amount of \$398,906. These lines should have been reported in the opposite manner with line 8B as \$398,906 and line 2A as \$0. This would also result in line 9 reporting an amount of \$1,281,989 rather than the \$883,083 reported on the CMS 21L. Although line 9 was understated by \$398,906, had it been reported correctly, the Authority would still be under the 10% earmarking limit.

**Effect:** OHCA may inadvertently understate administrative expenditures and could potentially exceed the 10% earmarking limit without it being reported correctly.

**Cause:** The system linking the CMS 21L report to supporting data was linking lines 8B and 2A inaccurately.

**Recommendation:** We recommend the Authority design and implement procedures for reviewing the CMS 21L Report to ensure the information is accurate and reliable for reporting expenditures.

#### **Views of Responsible Official(s)**

**Contact Person:** Marianne Lingle

**Anticipated Completion Date:** Completed

**Corrective Action Planned:** We concur that Form CMS 21L was incorrect. This was due to a clerical error made during the quarter in question. OHCA reviewed the remaining quarters in SFY 05 and there were no other occurrences of incorrect data.

**REF NO:** 05-807-008

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778, 93.767

**FEDERAL PROGRAM NAME:** Medical Assistance Program, State Children's Insurance Program (SCHIPS)

**FEDERAL AWARD NUMBER:** 50405OK5028 and 50505OK5028, 0405OK5021 and 0505OK5021

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Allowable Costs/Cost Principles

**QUESTIONED COSTS:** \$0

**Criteria:** The Oklahoma Health Care Authority Cost Allocation Plan, Random Moment Time Study Section states, "a sample size of 3 candidates will be generated at the top of each hour, between the days of Monday through Friday, and the hours of 7am to 7pm. These sample records will be created from the three (3) distinct sample population candidates with no duplicate values for that hour."

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Additionally, a component objective of an adequate internal control system is to provide accurate and reliable information.

**Condition:** We obtained the Random Moment Time Study surveys for the period of April 2005 through June 2005 to perform testwork. We noted the following:

1. Sixteen (16) instances where an employee was chosen twice during the same hour of the same day to receive a survey.
2. We were unable to obtain a history report of the number of active employees included in the Random Moment Time Study universe during the SFY 2005 testing period.
3. We noted two employees who were on extended medical leave at the time that several surveys were sent to them via email. The individual's supervisors were notified due to the individual's non-responses and responded on the employee's behalf. However, we noted that eight responses were coded as "03A" for "Medical Programs Administration".

**Cause:** For condition one, it appears there may be a systematic issue that is allowing the same individual to be selected within the same hour. For the second condition, we determined that the user status history table was not added to the system until 11/29/05; therefore, we were unable to obtain a history report of the number of active employees included in the RMTS universe during the SFY 2005 testing period. We were informed that after November 2005, it would be possible to determine the number of active users included in Random Moment Time Study universe on any date. For the third condition, it appears that the employee's time was incorrectly reported under code "03A" since the employees were not on duty.

**Effect:** The Random Moment Time Study may not be producing accurate data to be used as a basis for the allocation of administrative costs to various state and federally supported programs.

**Recommendation:** We recommend the Authority review the Random Moment Time Study system to ensure that the requirements of the approved Cost Allocation Plan are met and that all required employees are included in the population. Additionally, we recommend that the Authority develop procedures to better ensure that the surveys are responded to accurately.

### **Views of Responsible Official(s)**

**Contact Person:** Michael Johnson

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Our responses are as follows:

- Condition 1 – Action was take in August 2005 to correct this condition based on a SFY 04 finding; items identified in this review occurred prior to the corrective action. No further action is necessary.
- Condition 2 – Action was taken in November 2005 to correct this condition based on a SFY 04 finding; items identified in this review occurred prior to the corrective action. No further action is necessary.
- Condition 3 – Corrective action will be taken to ensure surveys are responded to appropriately; possible actions may include periodic notifications to supervisors informing them of their responsibility to notify the Finance Division when employees are on extended leave, survey info sheet for all new employees, periodic e-mails to survey employees detailing them of their survey responsibility, etc.

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**REF NO:** 05-807-009

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50405OK5028 and 50505OK5028

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$16,127.12

**Criteria:** According to OMB A-133, Compliance Supplement (March 2004): To be allowable, Medicaid costs for medical services must be: (3) properly coded.

**Condition:** While performing analytical procedures on 1,763,615 physician's services claims paid under the Medical Assistance Program, we noted 110 claims that appear to have been improperly coded.

- Ninety-three (93) of the one hundred ten claims were claims with procedure codes identified in the "2004 and 2005 Ingenix CPT Expert" book as a gender specific and the recipient was of the opposite gender. (Questioned Costs \$12,970.38)
- Seventeen (17) of the one hundred ten claims were claims with procedure codes identified as an age specific code and the recipient did not meet the age requirement. (Questioned Costs \$3,156.74)

**Cause:** The age restriction does not appear to be set up in MMIS to correspond with the procedure code in the CPT and HCPS book. In addition, the MMIS system is failing to deny claims which are not properly coded relating to the gender specific requirement.

**Effect:** It appears OHCA paid claims based on procedure codes, which should not have been paid according to the recipient's age or gender.

**Recommendation:** We recommend the Authority perform the necessary procedures to ensure edits are in place and operating on the claims system to ensure age and gender requirements are met for those procedure codes that are gender or age specific. We further recommend the Authority review the above-mentioned claims and perform the necessary procedures to recoup those funds if determined necessary.

### **Views of Responsible Official(s)**

**Contact Person:** Kacey Hawkins

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Recovery of inappropriate payments will be made. We have initiated a plan of action to ensure appropriate edits are in place and that the system will be developed and implemented to establish/activate age and sex requirement edits in our system regarding these procedure codes.

**REF NO:** 05-807-010

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778, 93.767

**FEDERAL PROGRAM NAME:** Medical Assistance Program, State Children's Insurance Program (SCHIPS)

**FEDERAL AWARD NUMBER:** 50405OK5028 and 50505OK5028, 0405OK5021 and 0505OK5021

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$399.90

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**Criteria:** According to OMB A-133, Compliance Supplement (March 2004): To be allowable, Medicaid costs for medical services must be: (3) properly coded.

**Condition:** While performing analytical procedures on 1,210,856 clinic services claims paid under the Medical Assistance Program, we noted three (3) claims that appear to have been improperly coded. These claims were claims with procedure codes identified in the "2004 and 2005 Ingenix CPT Expert" book as gender specific and the recipient was of the opposite gender. (Questioned Costs \$382.49)

Also, while performing analytical procedures on 82,913 clinic services claims paid under the State Children's Insurance Program, we noted one (1) claim that appears to have been improperly coded. This claim had a gender specific procedure code and the recipient was of the opposite gender. (Questioned Costs \$17.41)

**Cause:** The MMIS system is failing to deny claims which are not properly coded relating to the gender specific requirement.

**Effect:** It appears OHCA paid claims based on procedure codes, which should not have been paid according to the recipient's gender.

**Recommendation:** We recommend the Authority perform the necessary procedures to ensure edits are in place and operating on the claims system to ensure gender requirements are met for those procedure codes that are gender specific. We further recommend the Authority review the above-mentioned claims and perform the necessary procedures to recoup those funds if determined necessary.

**Views of Responsible Official(s)**

**Contact Person:** Kacey Hawkins

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Recovery of inappropriate payments will be made. We have initiated a plan of action to ensure appropriate edits are in place and that the system will be developed and implemented to establish/activate age and sex requirement edits in our system regarding these procedure codes.

**REF NO:** 05-807-011

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778, 93.767

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

**FEDERAL AWARD NUMBER:** 5-0405OK5028, 5-0505OK5028, 0305OK5021, and 0405OK5021

**FEDERAL AWARD YEAR:** 2003, 2004, and 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$688

**Criteria:** According to OMB Circular A-133 Compliance Supplement (March 2004), to be allowable, costs must be supported by medical records or other evidence indicating that the service was actually provided.

OMB Circular A-87 Attachment A.C. Basic Guidelines 1. states, "To be allowable under Federal awards, costs must meet the following general criteria...j. Be adequately documented."

According to OAC 317:30-5-70.2., Record Retention, "The Pharmacy is required original written prescriptions and signature logs as well as purchase invoices and other records necessary to document their compliance with program guidelines at the time of the audit,"

**Condition:** The Oklahoma Health Care Authority's Internal Audit Division reviewed the medical records to support fifty-three (53) prescription drug charges, the following exceptions were noted:

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- Eleven (11) prescriptions were returned with no signature log. (Questioned costs \$674.04)
- One (1) prescription billed and paid does not agree with the prescription prescribed and delivered (Questioned costs \$14.46)

**Effect:** Providers are not maintaining all of the required information in the medical files; which, may result in OHCA paying claims that are not allowable. The Authority may be paying for procedures that are not being performed or are not consistent with recipients' medical diagnosis.

**Recommendation:** We recommend the Oklahoma Health Care Authority's Internal Audit Division continue reviewing the medical records supporting prescription drug charges. If considered necessary, recoup any funds paid to providers for services that were not adequately supported by medical records and/or do not appear to be billed correctly. We further recommend the Authority emphasize to providers the importance of maintaining documentation to support that services were actually provided.

#### **Views of Responsible Official(s)**

**Contact Person:** Kelly Shropshire

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the audit finding. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review prescription drug charges through our annual internal review of Medicaid expenditures.

**REF NO:** 05-807-012

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.767, 93.778

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

**FEDERAL AWARD NUMBER:** 0305OK5021, 0405OK5021, 5-0405OK5028, and 5-0505OK5028

**FEDERAL AWARD YEAR:** 2003, 2004, and 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$1,085

#### **Criteria:**OAC 317:30-3-15. Record Retention

Federal regulations and rules promulgated by the Oklahoma Health Care Authority Board require that the provider retain, for a period of six years, any records necessary to disclose the extent of services the provider, wholly owned supplier, or subcontractor, furnishes to recipients and upon request, furnish such records to the Secretary of the Department of Health and Human Services. Records in a provider's office must contain adequate documentation of services rendered. Documentation must include the provider's signature and credentials. Where reimbursement is based on units of time, it will be necessary that documentation be placed in the patient's record as to the beginning and ending times for the service claimed. All records must be legible.

#### OAC 317:30-5-1. Creation and implementation of rules; applicability states:

- (f) Services provided within the scope of the Oklahoma Medicaid shall meet medical necessity criteria. Requests by medical services providers for services in and of itself shall not constitute medical necessity. The Oklahoma Health Care Authority shall serve as the final authority pertaining to all determinations of medical necessity. Medical necessity is established through consideration of the following standards:
  - (1) Services must be medical in nature and must be consistent with accepted health care practice standards and guidelines for the prevention, diagnosis or treatment of symptoms of illness, disease or disability;

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- (2) Documentation submitted in order to request services or substantiate previously provided services must demonstrate through adequate objective medical records, evidence sufficient to justify the client's need for the service;
- (6) Services must be appropriate for the client's age and health status and developed for the client to achieve, maintain and promote functional capacity.

**Condition:** The Oklahoma Health Care Authority's Internal Audit Division reviewed the medical records to support thirty (30) dental service charges, the following exceptions were noted:

- Fourteen (14) instances (services) where it appears the records were not signed as required by OHCA policy. (Questioned costs \$622.33)
- Two (2) instances (services) where it appears another dentist provided the billed dental visit services in violation of Medicaid policy. (Questioned costs \$149.78)
- One (1) instance (service) where it appears the documentation supports a different procedure code than the one billed. (Questioned costs \$138.43)
- One (1) instance (service) where no X-rays were provided to support the billed surgical dental services. (Questioned costs \$56.69)
- One (1) instance (service) where it appears someone other than the rendering provider initialed the dental visit notes. (Questioned costs \$118.66)

**Effect:** Providers are not completing all required information in the medical files or treatment plans; they also are not coding the claims correctly. All of which may result in OHCA paying claims that are not allowable. The Authority may be paying for procedures, which are not being performed or are not consistent with recipients' medical diagnosis.

**Recommendation:** We recommend the Oklahoma Health Care Authority's Internal Audit Division continue reviewing the medical records supporting dental service charges. If considered necessary, recoup any funds paid to providers for services that were not adequately supported by medical records and/or do not appear to be medically necessary.

**Views of Responsible Official(s)**

**Contact Person:** Kelly Shropshire

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Further analysis will be performed and appropriate actions will be taken. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review dental service charges through our annual internal review of Medicaid expenditures.

**REF NO:** 05-807-014

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50405OK5028 and 50505OK5028

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$1,307

**Criteria:** Oklahoma Administrative Code (OAC) 317:30-3-1. Creation and implementation of rules; applicability states:

“(d) Payment to practitioners on behalf of Medicaid eligible individuals is made only for services that are medically

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necessary and essential to the diagnosis and treatment of the patient's presenting problem. Well patient examinations and diagnostic testing are not covered for adults unless specifically set out in coverage guidelines.

- (f) Services provided within the scope of the Oklahoma Medicaid shall meet medical necessity criteria. Requests by medical services providers for services in and of itself shall not constitute medical necessity. The Oklahoma Health Care Authority shall serve as the final authority pertaining to all determinations of medical necessity. Medical necessity is established through consideration of the following standards:
- (1) Services must be medical in nature and must be consistent with accepted health care practice standards and guidelines for the prevention, diagnosis or treatment of symptoms of illness, disease or disability;
  - (2) Documentation submitted in order to request services or substantiate previously provided services must demonstrate through adequate objective medical records, evidence sufficient to justify the client's need for the service;
  - (6) Services must be appropriate for the client's age and health status and developed for the client to achieve, maintain or promote functional capacity."

#### OAC 317:30-5-3. Documentation of services

"Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered. Such documentation must include the physician's signature or identifiable initials in relation to every patient visit, every prescription, or treatment. . . ."

#### OAC 317:30-5-4. Procedure and diagnosis coding

"(a) The Authority uses the Health Care Financing Administration Common Procedure Coding System (HCPCS). This system is a five digit coding system using numbers and letters. Modifiers are used to further identify services. There are two sets of codes in the HCPCS system which are maintained by different organizations. First are the CPT codes, established and maintained by the American Medical Association. Second, are the second level of HCPCS codes assigned and maintained by the Federal Health Care Financing Administration, the American Dental Association, etc. These codes are common to all Medicare Carriers."

**Condition:** Based upon a medical professional's review of medical records to support forty (40) physician services charges, the following exceptions were noted:

- One (1) instance (service) in which the medical records did not appear to be sufficient to support the procedure billed. (Questioned Costs \$40)
- Four (4) instances (services) in which the medical records did not appear to contain a handwritten signature of the direct service provider on the billed documentation. (Questioned Costs \$705).
- One (1) instance (service) in which the medical records indicate the provider separately billed and was paid for the billed service when Medicaid Policy considers it part of another service paid the same date. (Questioned Costs \$23).
- Four (4) instances (services) in which the medical records did not appear to support the procedure billed; however, it does support another procedure code. Therefore, only the cost variance between the two procedure codes was questioned. (Questioned Costs \$203).
- One (1) instance (service) in which the medical records did not appear to be sufficient to support the procedure billed nor did the medical records contain a handwritten signature of the direct service provider on the billed documentation. (Questioned Costs \$55).
- One (1) instance (service) in which the medical records did not indicate the services were properly coded (diagnosis consistent with procedure performed) or was in the correct category of service line nor did the medical records contain a handwritten signature of the direct service provider on the billed documentation. (Questioned Costs \$278).

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- One (1) instance (service) in which the medical records did not appear to be sufficient to support the procedure billed and it appears the provider separately billed and was paid for the billed services when Medicaid policy considers it part of another service paid the same date. (Question Costs \$3).

**Effect:** The Authority may be paying for procedures which are not being performed or are not consistent with the recipients' medical diagnosis.

**Recommendation:** We recommend the Authority investigate the items identified. If considered necessary, recoup any funds paid to providers for services that were not supported by medical records and/or do not appear to be consistent with the medical diagnosis (medically necessary). We further recommend the Authority implement an edit in the system to verify the diagnosis on the claim is consistent with the procedure performed.

**Views of Responsible Official(s)**

**Contact Person:** Kelly Shropshire

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review physician service charges through our annual internal review of Medicaid expenditures.

**REF NO:** 05-807-015

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.767

**FEDERAL PROGRAM NAME:** State Children's Insurance Program

**FEDERAL AWARD NUMBER:** 0405OK5021 and 0505OK5021

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$74

**Criteria:** Oklahoma Administrative Code (OAC) 317:30-3-1. Creation and implementation of rules; applicability states:

“(d) Payment to practitioners on behalf of Medicaid eligible individuals is made only for services that are medically

necessary and essential to the diagnosis and treatment of the patient's presenting problem.

Well patient examinations and diagnostic testing are not covered for adults unless specifically set out in coverage guidelines.

(g) Services provided within the scope of the Oklahoma Medicaid shall meet medical necessity criteria. Requests by medical services providers for services in and of itself shall not constitute medical necessity. The Oklahoma Health Care Authority shall serve as the final authority pertaining to all determinations of medical necessity. Medical necessity is established through consideration of the following standards:

- (1) Services must be medical in nature and must be consistent with accepted health care practice standards and guidelines for the prevention, diagnosis or treatment of symptoms of illness, disease or disability;
- (2) Documentation submitted in order to request services or substantiate previously provided services must demonstrate through adequate objective medical records, evidence sufficient to justify the client's need for the service;
- (7) Services must be appropriate for the client's age and health status and developed for the client to achieve, maintain or promote functional capacity.”

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#### OAC 317:30-5-1. Eligible providers

“To allow patients free choice of physicians, the Oklahoma Health Care Authority (OHCA) recognizes all licensed medical and osteopathic physicians as being eligible to receive payment for compensable medical services rendered in behalf of a person eligible for such care in accordance with the rules and regulations covering the Authority's medical care programs. . . .

- (1) Payment to physicians under Medicaid is made for services clearly identifiable as personally rendered services performed on behalf of a specific patient. There are no exceptions to personally rendered services unless specifically set out in coverage guidelines.”

#### OAC 317:30-5-3. Documentation of services

“Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered. Such documentation must include the physician's signature or identifiable initials in relation to every patient visit, every prescription, or treatment. . . .”

#### OAC 317:30-5-4. Procedure and diagnosis coding

“(a) The Authority uses the Health Care Financing Administration Common Procedure Coding System (HCPCS). This system is a five digit coding system using numbers and letters. Modifiers are used to further identify services. There are two sets of codes in the HCPCS system which are maintained by different organizations. First are the CPT codes, established and maintained by the American Medical Association. Second, are the second level of HCPCS codes assigned and maintained by the Federal Health Care Financing Administration, the American Dental Association, etc. These codes are common to all Medicare Carriers.”

**Condition:** Based upon a medical professional's review of medical records to support five (5) physician services charges, the following exceptions were noted:

- Two (2) instances (services) in which the medical records did not appear to support the procedure billed; however, it does support another procedure code. Therefore, only the cost variance between the two procedure codes was questioned. (Questioned Costs \$34).
- One (1) instance (service) in which the medical records indicate the billed service was provided by someone other than the rendering provider indicated on the billing documentation (not personally rendered). (Questioned Costs \$18).
- One (1) instance (service) in which the medical records indicate the billed service was provided by someone other than the rendering provider indicated on the billing documentation (not personally rendered) and the documentation did not appear to support the procedure billed; however, it does support another procedure code. Therefore, only the cost variance between the two procedure codes was questioned. (Questioned Costs \$22).

**Effect:** The Authority may be paying for procedures which are not being performed or are not consistent with the recipients' medical diagnosis.

**Recommendation:** We recommend the Authority investigate the items identified. If considered necessary, recoup any funds paid to providers for services that were not supported by medical records and/or do not appear to be consistent with the medical diagnosis (medically necessary). We further recommend the Authority implement an edit in the system to verify the diagnosis on the claim is consistent with the procedure performed.

## Schedule of Findings Federal Award Findings And Question Costs

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### *Views of Responsible Official(s)*

**Contact Person:** Kelly Shropshire

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review physician service charges through our annual internal review of Medicaid expenditures.

**REF NO:** 05-807-016

**STATE AGENCY:** Health Care Authority

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.778

**FEDERAL PROGRAM NAME:** Medical Assistance Program

**FEDERAL AWARD NUMBER:** 50405OK5028 and 50505OK5028

**FEDERAL AWARD YEAR:** 2004 and 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$125

**Criteria:** Oklahoma Administrative Code (OAC) 317:30-3-1. Creation and implementation of rules; applicability states:

“(d) Payment to practitioners on behalf of Medicaid eligible individuals is made only for services that are medically

necessary and essential to the diagnosis and treatment of the patient's presenting problem. Well patient examinations and diagnostic testing are not covered for adults unless specifically set out in coverage guidelines.

(h) Services provided within the scope of the Oklahoma Medicaid shall meet medical necessity criteria. Requests by medical services providers for services in and of itself shall not constitute medical necessity. The Oklahoma Health Care Authority shall serve as the final authority pertaining to all determinations of medical necessity. Medical necessity is established through consideration of the following standards:

- (1) Services must be medical in nature and must be consistent with accepted health care practice standards and guidelines for the prevention, diagnosis or treatment of symptoms of illness, disease or disability;
- (2) Documentation submitted in order to request services or substantiate previously provided services must demonstrate through adequate objective medical records, evidence sufficient to justify the client's need for the service;
- (8) Services must be appropriate for the client's age and health status and developed for the client to achieve, maintain or promote functional capacity.”

OAC 317:30-5-3. Documentation of services

“Records in a physician's office or a medical institution (hospital, nursing home or other medical facility), must contain adequate documentation of services rendered. Such documentation must include the physician's signature or identifiable initials in relation to every patient visit, every prescription, or treatment. . . .”

OAC 317:30-5-4. Procedure and diagnosis coding

“(a) The Authority uses the Health Care Financing Administration Common Procedure Coding System (HCPCS). This system is a five digit coding system using numbers and letters. Modifiers are used to further identify services. There are two sets of codes in the HCPCS system which are maintained by different organizations. First are the CPT codes, established and maintained by the American Medical Association. Second, are the second level of HCPCS codes assigned and maintained by the Federal Health Care Financing Administration, the American Dental Association, etc. These codes are common to all Medicare Carriers.”

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**Condition:** Based upon a medical professional's review of medical records to support forty (40) clinic services charges, the following exceptions were noted:

- One (1) instance (service) in which the medical records did not appear to be sufficient to support the procedure billed. (Questioned Costs \$114)
- One (1) instance (service) in which the medical records support a procedure code other than the procedure billed; however, the payment rate is the same. As a result, no costs were questioned. (Questioned Costs \$0).
- One (1) instance (service) in which the medical records did not include all of the required elements to meet documentation requirements and the services performed did not have a purpose that directly relates to the goals/objectives in the treatment plan as required by Medicaid. As a result, fifty percent of the costs were questioned. (Questioned Costs \$11).

**Effect:** The Authority may be paying for procedures which are not being performed or are not consistent with the recipients' medical diagnosis.

**Recommendation:** We recommend the Authority investigate the items identified. If considered necessary, recoup any funds paid to providers for services that were not supported by medical records and/or do not appear to be consistent with the medical diagnosis (medically necessary). We further recommend the Authority implement an edit in the system to verify the diagnosis on the claim is consistent with the procedure performed.

#### **Views of Responsible Official(s)**

**Contact Person:** Kelly Shropshire

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be returned to CMS. The OHCA internal audit unit will continue to review clinic service charges through our annual internal review of Medicaid expenditures.

### Department of Human Services

**REF NO:** 05-830-001

**STATE AGENCY:** Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.667

**FEDERAL PROGRAM NAME:** Social Services Block Grant

**FEDERAL AWARD NUMBER:** 93.667G0501OKSOSR

**FEDERAL AWARD YEAR:** 2004

**CONTROL CATEGORY:** Earmarking

**QUESTIONED COSTS:** \$0

**Criteria:** According to OMB Circular A-133, "The State shall use all of the amount transferred in from TANF (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)). Additional information on this transfer is provided in IV, "Other Information.""

Management should establish and foster a strong system of internal controls over the disbursement of Federal Awards. To be effective, the system of internal controls must be both adequately designed and complied with.

**Condition:** Based on discussion with management and review of the FFY 2004 Oklahoma Report of Actual Expenditures, it appears the Department is using the TANF transfer for "Prevention and

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Intervention”. The Department has no controls in place to ensure expenditures spent under this category are for families whose income is less than 200% of the official poverty guidelines as revised annually by HHS.

**Effect:** Funds earmarked for children and their families whose income is less than 200% of the poverty level may be used on individuals not meeting this criterion.

**Recommendation:** We recommend the Department establish and implement internal controls to ensure only recipients meeting the federally stated criteria receive these earmarked funds.

**Views of Responsible Official(s)**

**Contact Person:** Stuart Kettner

**Anticipated Completion Date:** Unknown

**Corrective Action Planned:** Do not concur with condition. It would appear that the 200% of poverty requirement on the transfer to SSBG contradicts the intent and spirit of PRWORA. Based on this assumption, the expenditures funded by the transfer would be allowable under regular TANF since “encouraging the formation and maintenance of two-parent families” is a purpose of TANF that has no eligibility requirements. The 185% of poverty does not apply to the above purpose or to the purpose to “prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies” under TANF. It does not make sense why the eligibility would be more restrictive by using transferred funds and applying eligibility requirements to all four purposes. If required, OKDHS can generate documentation confirming the allowability of the expenditures.

**Auditor Response:** We reviewed the documentation provided by management and we do not disagree that TANF funds may be spent on “Prevention and Intervention.” However, once the TANF funds are transferred to the “Social Services Block Grant” TANF regulations are no longer applicable. Therefore, the TANF funds transferred to SSBG, are to be used for the above mentioned earmarking requirement.

**REF NO:** 05-830-002

**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:** G0501OKTANF

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Special Tests and Provisions

**QUESTIONED COSTS:** \$0

**Criteria:** The A-133 Compliance Supplement states, “The State is required to review and compare information obtained from each data exchange against information contained in the case record to determine whether it affects the individuals eligibility or level of assistance, benefits or services under the TANF program...”

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

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**Condition:** We performed testwork on the August 2005 G1DX Exception Report for Area 1. Area 1 was the area selected to perform our eligibility testwork for SFY 2005. We noted the following:

<b>Error Type</b>	<b>G1DX TOTAL EXCEPTIONS</b>	<b>G1DX EXCEPTIONS OVER 30 DAYS</b>	<b>% OF EXCEPTIONS OVER 30 DAYS</b>
BEN	190	61	32.11%
IEVDX	79	18	22.78%
OWGD	261	259	99.23%
SDX	209	45	21.53%
SNH	321	171	53.27%
UIB01	38	8	21.05%
<b>TOTAL</b>	<b>1,098</b>	<b>562</b>	<b>51.18%</b>

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

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

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

**Views of Responsible Official(s)**

**Contact Person:** Tom Wright

**Anticipated Completion Date:** Ongoing

**Corrective Action Planned:** The lack of compliance of clearance of G1DX discrepancies has remained an issue within the Field Operations Division throughout the year. The lack of discrepancy clearances has been discussed at Human Service Center meetings as well as Family Support Field Liaison meetings. Most recently, an email was sent to all Area Directors. Larry Johnson, new Division Director for the Field Operations Director, and Mary Stalnaker, Family Support Services Division Director, will discuss this topic at the next Human Services Center meeting. We anticipate the report produced by Family Support Services, Management Reports unit, will be monitored much more closely. Further, utilization of the summary of overdue discrepancies by Area, county, supervisor, and worker will be scrutinized and utilized much more this coming year.

**REF NO:** 05-830-003

**STATE AGENCY:** Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.044, 93.045

**FEDERAL PROGRAM NAME:** Title III, Part B and Title III, Part C1 and Title III, Part C2

**FEDERAL AWARD NUMBER:** 0204AAOK1320, 0204AAOK1712, 0204AAOK1713

**FEDERAL AWARD YEAR:** 2004

**CONTROL CATEGORY:** Cash Management

**QUESTIONED COSTS:** Undeterminable

**Criteria:** Management should establish and foster a strong system of internal controls over the disbursement of Federal Awards to subrecipients. To be effective, the system of internal controls must be both adequately designed and complied with.

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Department of Treasury, 31 CFR 205, Subpart B, Sec 205.33 states;

- (a) A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.
- (b) Neither a State nor the Federal government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this Subpart B.

**Condition:** Based on testwork performed and discussion with management, it appears there were no written procedures in place to determine the monthly disbursement amount for each subrecipient (Area Agency on Aging (AAA)) during SFY 2005. Also, it appears the amount to be disbursed to each subrecipient is judgmentally determined without a methodology that complies with Treasury Subpart B.

**Cause:** There were no written procedures in place for determining the disbursement amount.

**Effect:** By not following the Treasury Subpart B, the Department could have drawn funds earlier than they were entitled, which could cause an interest event, or used State funds when Federal funds were available. The methodology used to determine each subrecipient's monthly disbursement amount may not be consistent without written procedures.

**Recommendation:** We recommend the Department implement written procedures to ensure subrecipients receive only the actual, immediate cash requirements necessary in carrying out the Aging program. The procedures implemented should be designed to assure that subrecipients minimize the time elapsing between the transfer of Federal funds and the pay out of funds for program purposes.

Views of Responsible Official(s)

**Contact Person:** Stacy Gholson

**Anticipated Completion Date:** July 1, 2005

**Corrective Action Planned:** There are now written procedures which went into effect July 1, 2005. Internal written procedures are located at Aging Services Division. Online policy is Oklahoma Administrative Code #340: 105-10-114 revised November 8, 2005.

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**REF NO:** 05-830-004

**STATE AGENCY:** Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** Temporary Assistance for Needy Families

**FEDERAL AWARD NUMBER:** G0401OKTANF, G0501OKTANF

**FEDERAL AWARD YEAR:** 2004, 2005

**CONTROL CATEGORY:** Reporting

**QUESTIONED COSTS:** \$0

**Criteria:** Form ACF-196 Instructions state for Line 5b. Expenditures on Assistance - Child Care, "Enter in columns (A), (B), (C), and (D) the cumulative total expenditures for child care that meet the definition of assistance from October 1 of the Federal fiscal year for which the report is being submitted through the current quarter being reported. The amounts reported in this category do not include funds transferred to CCDF or SSBG programs. Include child care expenditures for families that are not employed, but need child care to participate in other work activities such as job search, community service, education or training, or for respite purposes..." Form ACF-196 Instructions state for Line 6b. Expenditures on Non-Assistance - Child Care, "Enter in columns (A), (B), (C), and (D) the cumulative total expenditures for child care that does not meet the definition of assistance from October 1 of the Federal fiscal year for which the report is being submitted through the current quarter being reported. Include child care provided to employed families and child care provided as nonrecurrent, short-term benefit..."

The ACF Guide "Helping Families Achieve Self-Sufficiency – A Guide on Funding Services for Children and Families through the TANF Program", indicates that assistance includes benefits directed at basic needs including child care for families that are not employed. Assistance excludes child care provided to families that are employed. Additionally, this guide states that "All State expenditures claimed under the MOE requirements must be made with respect to "eligible families." The definition of "eligible families" is similar to that of "needy families"; eligible families are families that meet the income and resource standards in the State Plan. In addition, they must be either: (1) eligible for TANF; or (2) eligible for TANF, but for the five-year limit on federally funded assistance or the restriction on benefits to immigrants found in title IV of the 1996 welfare law.

The A-133 Compliance Supplement states, "Current Fiscal Year Federal Expenditures on Non-Assistance - The State must obligate by September 30 of the current fiscal year any funds for expenditures on non-assistance. Non-assistance expenditures are reported on Line 6 categories of the ACF-196 TANF Financial Report. The State must liquidate these obligations by September 30 of the immediately succeeding Federal fiscal year for which the funds were awarded"

**Condition:** During our testwork we noted \$57,423,286 in daycare expenditures paid with TANF funds for the period of 10/01/2003 to 9/30/2004. Upon further inquiry, it was determined that the TANF Daycare expenditures are the daycare expenditures remaining after the CCDF funds are exhausted. Therefore, TANF funds are used to cover the difference between the total daycare expenditures and the CCDF funding. However, there is no distinction made as to whether these funds are paying for expenditures that meet the definition of assistance or non-assistance. We compared the FFY 04 TANF eligibility data to the FFY 04 CCDF eligibility data and determined that a total of \$32,829,325 in daycare benefits was paid on TANF cases. Therefore, it appears that \$32,829,325 of the TANF Daycare expenditures is assistance and should be reported on Line 5b Expenditures on Assistance - Child Care with \$10,630,233 of this amount being reported in Column (B) – State MOE Expenditures in TANF and the remaining \$22,199,092 being reported in Column (A) as Federal TANF Expenditures. The

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other \$24,593,961 in the TANF daycare expenditures should be reported on Line 6b. Expenditures on Non-Assistance - Child Care. Additionally, this amount reported as non-assistance should be reported for the 2005 grant since this grant is the only grant available to cover non-assistance expenditures.

**Cause:** The Department does not differentiate between the TANF Daycare Expenditures being paid for assistance or non-assistance.

**Effect:** The Department may not be in compliance with the above instructions, which may result in incorrect reporting. Due to the requirement that State expenditures claimed under the MOE requirement must be made with respect to eligible families, it is possible that in the future there could be MOE problems arise if the "assistance" payments do not meet the Matching Fund MOE for Daycare (currently \$10,630,233). Additionally, since non-assistance expenditures must be obligated within the first year of the grant and be liquidated by the end of the year following the grant award year, it is possible that funds could be spent on non-assistance expenditures after the period of availability since the distinction between assistance and non-assistance is not being made.

**Recommendation:** We recommend the Department establish and implement procedures to differentiate between TANF Daycare assistance and non-assistance benefits in order to correctly report these expenditures.

**Views of Responsible Official(s)**

**Contact Person:** Stuart Kettner, C.A.R.E. Staff

**Anticipated Completion Date:** 4/30/06

**Corrective Action Planned:** Data runs to verify expenditures by eligibility (client) type. We will work to correct this error for SFY 05 & SFY 04. The primary adjustment should occur between grant years with an adjustment to grant balances being made.

**REF NO:** 05-830-005

**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:** G0501OKTANF

**FEDERAL AWARD YEAR:** 2005

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

**QUESTIONED COSTS:** \$0

**Criteria:** 45CFR 264 states in part, 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 SFAG for failure to substantially comply with this required State child support program.

DHS Policy 340-10-10-5(c) states, "If the applicant or recipient refuses to cooperate with OKDHS without good cause the cash assistance must be reduced by 25% of the TANF payment standard the next effective date."

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**Condition:** During testwork of the TANF program, we received a list of all Child Support non-cooperation cases from the Child Support Enforcement Division (CSED). Once a case is determined to be non-cooperating, the CSED is to send a notification to the PS-2 system. This notification is shown on the G3 screen. At this point, it is the social worker's responsibility to reduce the TANF client's benefit, if necessary. We attempted to verify that all non-cooperating cases per CSED were reported to the social workers via the PS-2 system. However, the PS-2 system does not maintain history of cases reported by CSED.

**Effect:** We were unable to verify the non-cooperation cases we received from the Child Support Enforcement Division were reported to the PS-2 system for resolution.

**Recommendation:** We recommend the Department's PS-2 system maintain history of non-cooperation cases reported by CSED.

#### **Views of Responsible Official(s)**

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** 8/1/05 and 6/1/06

**Corrective Action Planned:** Statewide training was provided on the new process in February and April 2005. Subsequent training was provided to the field staff through correspondence and email when the bi-weekly report was initiated. The continued long-term plan is the development of an automated process for TANF non-cooperation with CSED. FSSD has included the programming/process as a priority project for the division and will be elevated to a priority ranking for Data Services Division. The initial estimate for completion of the project by the first quarter of FY06 was premature. Continuing dialogue and refinement to the process has been necessary and it appears that the estimated completion would be the third quarter of FY06.

**REF NO:** 05-830-007

**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:** G0501OKTANF, G0401OKTANF

**FEDERAL AWARD YEAR:** 2005, 2004

**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 the 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.

ACF-199 Data Report Instructions state: "**Receives Subsidized Child Care (17)** – If the TANF family receives child care for the reporting month, enter code "1" or "2", whichever is appropriate. Otherwise, enter code "3".

1 = Yes, receives child care funded entirely or in part with Federal funds (e.g., receives TANF, CCDF, SSBG, or other federally funded child care)

2 = Yes, receives child care funded entirely under State, Tribal, and/or local program (i.e., no Federal funds used)

3 = No subsidized child care received

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**Condition:** We selected forty-five (45) case files for testing the TANF Data Report (ACF-199). During our testwork, we noted six cases that were coded as receiving child care entirely or in part with Federal funds; however, the cases did not receive child care benefits.

**Cause:** The TANF Data Report (ACF-199) includes benefits listed on the DHS Mainframe's BNX screen. This screen not only lists childcare benefits, but also lists energy assistance payments. Therefore, cases that receive energy assistance and not childcare benefits are improperly coded as receiving childcare benefits.

**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 change the TANF Data Report (ACF-199) to include only the childcare benefits listed on the DHS Mainframe's BNX screen.

**Views of Responsible Official(s)**

**Contact Person:** Tom Wright

**Anticipated Completion Date:** December 2005

**Corrective Action Planned:** FSSD modified report number ACF-199, Field 17, "Receives Subsidized Child Care" to correct the previous data inaccuracy. FSSD has also modified report number ACF-199, Field 18, "Amount of Subsidized Child Care." The data errors are caused by the migration of the Child Care data from IMS/PS2 system to DB2/QMF as a result of statewide EBT implementation. DSD will change the source of the data retrieval from IMS/BNX transaction receiving data from database CA254dbd to DB2 table, AMOUNT\_PAID field. This data source will change effective the transmission of data in February 2006. Therefore, data for the first quarter FFY 2006, last calendar quarter 2005 will be accurate. There is no need to retransmit inaccurate data from FFY2005. This error should not recur

**REF NO:** 05-830-008

**STATE AGENCY:** Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** Temporary Assistance for Needy Families

**FEDERAL AWARD NUMBER:** G0401OKTANF, G0501OKTANF

**FEDERAL AWARD YEAR:** 2004, 2005

**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 the 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.

ACF-199 Data Report Instructions state: "**Amount of Subsidized Child Care (18) - Guidance:** Subsidized child care means a grant by the Federal, State or local government to or on behalf of a parent (or caretaker relative) to support, in part or whole, the cost of child care services provided by an eligible provider to an eligible child. The grant may be paid directly to the parent (or caretaker relative) or to a child care provider on behalf of the parent (or caretaker relative). A State (Tribe) must make every effort to identify the total dollar amount of subsidized child care from all sources (e.g., CCDF, TANF, SSBG, State, local, etc.). When a State (Tribe) knows the authorized amount of child care but does not know the actual amount of subsidized child care because claims for payment are not received until after TANF reporting is due, the State (Tribe) should code the authorized amount. However, the State needs to provide the actual (i.e., correct) data by the end of the quarter in which the data is due. **Instruction:** Enter the total dollar

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amount of subsidized child care from all sources (e.g., CCDF, TANF, SSBG, State, local, etc.) that the TANF family has received for services in the reporting month. If the TANF family did not receive any subsidized child care for services in the reporting month, enter "0."

**Condition:** During our review of the FFY 04 ACF-199 reports we noted a total of \$2,446,239 reported as "Amount of Subsidized Child Care". However, we compared the FFY 04 TANF eligibility data to the FFY 04 CCDF eligibility data and determined that a total of \$32,829,325 in daycare benefits was paid on TANF cases. Therefore, it appears that this \$32,829,325 should be reflected in the ACF-199 report as the Amount of Subsidized Child Care (line 18).

**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 change the TANF Data Report (ACF-199) to include all daycare benefits paid for TANF cases.

### **Views of Responsible Official(s)**

**Contact Person:** Tom Wright

**Anticipated Completion Date:** December 2005

**Corrective Action Planned:** FSSD modified report number ACF-199, Field 17, "Receives Subsidized Child Care" to correct the previous data inaccuracy. FSSD has also modified report number ACF-199, Field 18, "Amount of Subsidized Child Care." The data errors are caused by the migration of the Child Care data from IMS/PS2 system to DB2/QMF as a result of statewide EBT implementation. DSD will change the source of the data retrieval from IMS/BNX transaction receiving data from database CA254dbd to DB2 table, AMOUNT\_PAID field. This data source will change effective the transmission of data in February 2006. Therefore, data for the first quarter FFY 2006, last calendar quarter 2005 will be accurate. There is no need to retransmit inaccurate data from FFY2005. This error should not recur.

**REF NO:** 05-830-009

**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:** G0501OKTANF

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$361

**Criteria:** The A-133 Compliance Supplement states, "Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by Federal TANF funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. However, the State may extend assistance to a family on the basis of hardship, as defined by the State, or if a family member has been battered or subjected to extreme cruelty."

DHS Policy Instructions to Staff 340:10-3-56-6 states, "(a) The worker is required to have a face-to-face contact with each participant to complete Form TW-24, Part I. When Form TW-24, Part I, is completed and an extension is requested by the participant, it is the responsibility of the worker to assure all assessments, diagnostic tests, and verifications are documented in the case record prior to the request for an extension. The worker sends the request, with all appropriate information, to FSSD with the case record. Based on the documentation and information provided, FSSD notifies the worker of the decision and, if approved, the period of time for the extension. When Form TW-24, Part I, is completed and no extension

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is requested, it is the responsibility of the worker to submit Form TW-24 to FSSD for review and close the benefit the appropriate month. (b) If the extension is not approved, FSSD notifies the worker to close the benefit. The worker, 30 days after the effective date of closure, makes a home visit to determine the family's circumstances and offers the appropriate service.”

**Condition:** From the counties located in Area 1, we identified 10 cases that received TANF benefits for more than 60 months. We selected these 10 cases for testing and noted:

- One case where the client received benefits for more than 60 months without applying for an extension.

**Cause:** The case was not closed in a timely matter. It appears that the action to close the case was not taken until after the 61<sup>st</sup> month of benefits was issued.

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

**Recommendation:** We recommend the Department follow the policy established to ensure that either recipients complete a request for an extension of benefits or that cases are closed in a timely manner to make certain that only 60 months of benefits are paid.

### **Views of Responsible Official(s)**

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** 12/1/05

**Corrective Action Planned:** Currently in place are procedures that alert the client and the county worker when the client's time limit for TANF is imminent. During the 57 month of receipt of TANF, a notice is issued to the client advising them of the approaching time frame and the steps to follow. There is a County Worker Activity (CWA) report that lists the case number and the name of the client(s) who have received 57 months of TANF. The client's name and case number remains on this report until the TANF cash benefit is terminated or approved for a hardship extension. Training was provided at the Supervisor's Conference in August 2004 and Quarterly Training in March 2005 for the process a county worker is to follow for TANF cases that are approaching the 60 month time limit and the appropriate procedures to be used when a client requests or does not request a hardship extension.

**REF NO:** 05-830-010

**STATE AGENCY:** Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.558

**FEDERAL PROGRAM NAME:** Temporary Assistance for Needy Families

**FEDERAL AWARD NUMBER:** G0501OKTANF

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$3,199

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

DHS Policy Instructions to Staff 340:10-20-1-10 states, “The county director can approve Temporary Assistance for Needy Families (TANF) if there is an unforeseen circumstance that requires the family to apply. This approval is only used after the three-month time period covered by DA benefit. The approval by the county director must be documented in Family

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Assistance/Client Services (FACS) case notes. Receipt of TANF during this three-month period is a duplication of benefits.

**Condition:** We tested 11 cases that received TANF benefits within the twelve months following the receipt of Diversion Assistance benefits during SFY 2005 and noted the following:

1. One case received both TANF and Diversion Assistance during the same month. (Questioned Costs \$361)
2. Three cases that received both TANF and Diversion Assistance during the same year without documentation of approval from the county director. (Questioned Costs \$2,838)

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

**Recommendation:** We recommend the Department establish and implement policy and procedures to ensure that the client does not receive TANF within three months of receiving Diversion Assistance and that the county director approves all TANF payments made to clients within a year of receiving Diversion Assistance.

#### **Views of Responsible Official(s)**

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** 03/01/06

**Corrective Action Planned:** The county office that approved TANF and Diversion benefits for the same month has been contacted. The county offices that issued TANF benefits less than a year after Diversion Assistance benefits issued have been contacted regarding the need to document in case notes or in the case record the approval of the county director when TANF is approved less than a year from the date of the Diversion Assistance approval. Statewide quarterly training for Diversion Assistance was completed in March 2005 with subsequent training being provided by supervisory staff to the local county workers. Additional training is scheduled for spring 2006.

**REF NO:** 05-830-011

**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:** 93.568G05B1OKLIEA

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$142

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

#### Instructions to Staff 340:65-1-3

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

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

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**Condition:** From the Area 1 population of 8,125 LIHEAP case files, we selected forty-five (45) cases for eligibility testwork and noted one case file did not contain an application for the time period in which the benefit was received (Questioned costs \$142).

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

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

**Views of Responsible Official(s)**

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** November 2006

**Corrective Action Planned:** County staff will be reminded of the importance of filing all applications in the appropriate case file in next fall's LIHEAP training.

**REF NO:** 05-830-012

**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:** 93.568G05B1OKLIEA

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility/Activities Allowed or Unallowed/Reporting

**QUESTIONED COSTS:** \$11,848

**Criteria:** According to OAC 340:20-1-10g, '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.'

According to OAC 340:20-1-10. Program factors "(b) **Primary energy source.** The primary energy source during winter months is the fuel used by the household for heating. If a cooling program is implemented during the summer months, the fuel type used for cooling is the primary energy source. ..."

According to OAC 340:20-1-14, 'Contingent upon the receipt of federal funding, one payment will be made during the federal fiscal year to or on behalf of households included in paragraph (1) of this Section unless a situation arises which would cause two payments to be made..... (1) **Approvals.** Maximum household benefit levels will be determined by fuel type, household size, and household income. Normally, one direct payment will be made to designated energy suppliers on behalf of approved households.'

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

**Condition:** During analytical procedure testing, we noted the following:

- 67 of 80,397 cases appeared to have received the incorrect payment amount or received benefits when their household income was greater than the allowable rate. (Questioned Costs \$7,894)
- 41 of 80,397 cases appeared to have received duplicate payments. (Questioned Costs \$3,954)
- 3 of 16,555 cooling recipients appeared to have received payments for natural gas.
- 15 of 16,555 cooling recipients appeared to have received payments for firewood.

**Effect:** The State may be over-paying individual recipients during the year, therefore underutilizing funds provided. In addition, information provided for the Household report could be inaccurate.

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**Recommendation:** We recommend the Department implement control procedures to ensure recipients receive the correct amount of assistance and ensure all benefits are properly classified and reported by fuel type.

**Views of Responsible Official(s)**

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** See below

**Corrective Action Planned:**

- a. Of the 67 households questioned regarding incorrect payments, none were overpaid.
  - 12 were refunded prior to being repaid to corrected account or vendors
  - 55 cases reported an incorrect household size to the auditors on the EN6000SPS report. The reporting discrepancy will be corrected by modifying the 105E program to update the household size in the case segment and modifying the EN6000SPS report using the household size of the authorization segment.
- b. Of the 54 households questioned regarding duplicate payments, no duplicate payments were made.
  - 41 were refunded prior to being repaid
- c. & d. A computer system edit will be in place before this year's summer cooling to prevent cooling authorizations for natural gas, wood, or propane.

**Auditor Response:** We were not provided sufficient documentation of the refunded payments or corrections made to the household income and/or composition. Therefore, we were unable to clear any of the incorrect payment amount exceptions.

**REF NO:** 05-830-013

**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:** G0501OKTANF

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Special Tests and Provisions – Adult Custodial Parent of Child under Six  
When Child Care Not Available

**QUESTIONED COSTS:** \$0

**Criteria:** 45CFR 261 states in part, "If an individual is an adult single custodial parent caring for a child under the age of six the State may not reduce or terminate assistance for the individual's refusal to engage in required work if the individual demonstrates to the State an inability to obtain needed child care based upon the following reasons: (a) unavailability of appropriate child care within a reasonable distance from the individuals home or work site; (b) unavailability or unsuitability of informal child care by a relative or under other arrangements; and (c) unavailability of appropriate and affordable formal child care arrangements. The determination of inability to find child care is made by the State. HHS may penalize a State for up to five percent of the SFAG for violation of this provision."

DHS Instructions to Staff 340-10-2-2-5 states, "FACS case notes must clearly document that a refusal or failure to participate is without good cause"

**Condition:** We tested forty-five (45) of 7,507 occurrences within cases with children under six that were closed for failure to cooperate with TANF work requirements (code 52A). In four occurrences tested, we could not locate in the case notes or in the case file an indication that the case was closed due to a refusal or failure to participate without good cause on the effective date for the occurrence being tested.

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**Effect:** The Department may not be in compliance with the above stated federal regulations regarding the improper closing of a TANF case. This may result in the State being penalized for up to five percent of the SFAG.

**Recommendation:** We recommend the Department follow policy and ensure the case notes clearly document that a refusal or failure to participate is without good cause.

**Views of Responsible Official(s)**

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** 5/1/06

**Corrective Action Planned:** The county offices that failed to follow policy and procedure have been contacted and “back to basics” sessions are being planned. Statewide quarterly training was completed in March 2005 which discussed the sanction process and the correct procedure to be followed when a client fails or refuses to participate in TANF Work without good cause.

**REF NO:** 05-830-016

**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:** G0501OKTANF

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$4,778

**Criteria:** 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...”

The State Plan refers to DHS Policy OAC 340:10, which refers to OAC 340:65-3-1. This policy states, “The determination of eligibility is a continuous process that begins with an application. It includes the final disposition of the application and all subsequent activities related to determining continuing eligibility. “

OAC 340:65-3-8 states, “A periodic re-determination of eligibility is completed at 12-month intervals for: a Temporary Assistance for Needy Families (TANF) recipient except when six-month intervals are required due to: (I) protective payments; (II) pending required immunizations; (III) payment standard reductions due to intentional program violations; or (IV) hardship extension approvals.”

**Condition:** From the area 1 population of 1,583 cases, we noted the following during eligibility testwork of twenty-two cases:

1. Three cases in which no TANF application or review was found for the time period tested in the case file provided by the county office.

**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 their policy and complete eligibility determinations and re-determinations for TANF recipients as required.

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## *Views of Responsible Official(s)*

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** 6/1/06

**Corrective Action Planned:** Audit findings will be discussed with the appropriate Field Liaisons and the county offices regarding the lack of application and review forms in the case records. Back to basic sessions will be scheduled to reiterate and emphasize the necessity of following policy regarding applications and review forms in the county case records.

**REF NO:** 05-830-018

**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:** G0501OKTANF

**FEDERAL AWARD YEAR:** 2005

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

**QUESTIONED COSTS:** \$3,773

**Criteria:** 45CFR 264 states in part, “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 SFAG for failure to substantially comply with this required State child support program.

DHS Policy 340-10-10-5(c) states, “If the applicant or recipient refuses to cooperate with OKDHS without good cause the cash assistance must be reduced by 25% of the TANF payment standard.”

**Condition:** We tested sixty (60) of 1,112 cases that were referred by the Child Support Enforcement Division for child support non-cooperation. During our testwork, we noted the following:

- Sixteen (16) cases where we noted no indication that the case was reduced or denied as required for child support non-cooperation. (Questioned Costs - \$3,349)
- Two (2) cases where the benefits were reduced or denied, but not within a reasonable time frame (30 days). The benefits paid after the case should have been reduced or denied are not being recouped. (Questioned Costs - \$424)

**Cause:** When the Child Support Enforcement Division’s OSIS system sends the non-cooperation information to the PS-2 system, there is no immediate exception notice given to the social worker. It is a manual process for the social worker to obtain the non-cooperation exception from the G3 screen. Therefore, if the social worker does not review the G3 screen periodically (monthly), errors may not be detected in a timely manner.

**Effect:** The Department may not be in compliance with the above stated federal regulations regarding child support non-cooperation cases. This may result in the State being penalized for up to five percent of the SFAG.

**Recommendation:** We recommend the Department implement policy and procedures to ensure that TANF recipients who are not cooperating with the Child Support Enforcement Division be reduced by 25% or denied of their TANF benefit. Also, we recommend the non-cooperation cases be included as part of the

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social workers' exception reports. This would help ensure non-cooperation cases are addressed in a timely matter.

### *Views of Responsible Official(s)*

**Contact Person:** Linda Hughes

**Anticipated Completion Date:** 9/1/06

**Corrective Action Planned:** FSSD is currently working under a Federal Compliance Plan that was accepted in July 2005 and audit results for the period of July 1, 2005 through June 30, 2006 will be used to determine whether Oklahoma has achieved compliance. Effective 8/15/05, FSSD has been generating TANF/CSED non-cooperation reports on the first and third Monday of each month. These reports are sent via email to staff responsible for the administration of TANF programs in each county. Staff is instructed to validate non-cooperation status and take appropriate program penalty action. Case record is updated regarding the cooperation status and any penalty action that was or was not required. To ensure timely penalty action is taken on TANF benefits, FSSD/TANF staff monitors this report and contacts appropriate staff when penalty action has not been taken. CSED staff has been instructed on the importance of timely and accurate updating of their screens regarding cooperation/non-cooperation.

**REF NO:** 05-830-020

**STATE AGENCY:** Department of Human Services

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

**CFDA NO:** 93.044, 93.045, 93.053, 93.558, 93.563, 93.568, 93.575, 93.596, 93.658, 93.667, 10.551, 10.561

**FEDERAL PROGRAM NAME:** Aging, Temporary Assistance for Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance, Child Care and Development Block Grant, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, Foster Care IV-E, Social Services Block Grant, Food Stamps

**FEDERAL AWARD NUMBER:** Various

**FEDERAL AWARD YEAR:** Various

**CONTROL CATEGORY:** Reporting

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

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

**Condition:** There are no written policies and procedures that apply to the Cost Accounting and Revenue Enhancement Unit of the Office of Finance.

**Effect:** The C.A.R.E. Unit is comprised of six staff whose responsibilities include federal reporting, cash management, and cost allocation. The Unit plays a key role in the administration of the Department's federal grants. Were the Unit to experience a sudden loss of staff, it may not be able to maintain its level of productivity since there are no written policies or procedures for new staff to follow.

**Recommendation:** We recommend the Department develop written policies and procedures that apply to the Cost Accounting and Revenue Enhancement Unit.

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#### *Views of Responsible Official(s)*

**Contact Person:** Stuart Kettner, C.A.R.E. Staff

**Anticipated Completion Date:** 6/30/06

**Corrective Action Planned:** Concur with condition. We, as a unit, have been working on procedures for the Finance – CARE Unit. We are nearing completion of this project.

**REF NO:** 05-830-022

**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:** 93.568G05B1OKLIEA

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Reporting

**QUESTION COSTS:** \$-0-

**Criteria:** 45 CFR 96.82 requires, as part of its LIHEAP grant application, the submission of the *Annual Report on Households Assisted by LIHEAP*. Separate data shall be reported for LIHEAP heating, cooling, crisis, and weatherization assistance.

**Condition:** During testing of the *Annual Report on Households Assisted by LIHEAP*, the following instances of noncompliance were noted:

- The number of households reported as receiving cooling assistance on the *Annual Report on Households Assisted by LIHEAP* for federal fiscal year ending September 30, 2005 appears to be incorrect. Management was unable to provide us with documentation supporting the 17,616 households receiving cooling assistance. The supporting documentation provided indicates only 16,555 households received cooling assistance. This is a difference of 1,061 or 6%. Therefore, the number of households within the certain poverty percentages was also incorrect.
- The number of households reported as receiving heating assistance appeared to be supported with accurate documentation; however, the number of households identified in the poverty level percentage categories for heating assistance did not agree with the supporting documentation provided.
- The number of households reported as applying for heating assistance on the *Annual Report on Households Assisted by LIHEAP* indicated 86,939 households applied for assistance. The supporting documentation indicated that there were 94,851 households which applied for heating assistance. This is a difference of 7,912 or 8%.
- We were unable to obtain data to support neither the Winter/year round crisis *Number of assisted* nor *Number of applicants*.

In addition, we were unable to obtain data to support the amounts reported for heating, cooling, summer crisis, or winter/year round crisis assistance in the following categories:

- The number of households where at least one individual is 60 years or older;
- The number of households where at least one individual is disabled;
- The number of households where at least one individual is age 5 years or under;
- The number of households where at least one individual is age 2 years or under; and
- The number of households where at least one individual is age 3 years through 5 years.

**Effect:** Inaccurate information is included as part of the Department's LIHEAP application. In addition, the Federal government relies on the accuracy of the information included on the *Annual Report on Households Assisted by LIHEAP* to aid in the assessment of the performance of the LIHEAP program.

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**Recommendation:** We recommend that the Department retain accurate and reliable supporting documentation for the *Annual Report on Households Assisted by LIHEAP*.

**Views of Responsible Official(s)**

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** December 2006

**Corrective Action Planned:** Request Data Services Division to provide the same data reports to LIHEAP program management and State Auditors.

**REF NO:** 05-830-023

**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:** 93.568G05B1OKLIEA

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility

**Criteria:** OAC 340:20-1-14 states, “(4) **Computer-generated notices.** Computer-generated notices are mailed from State Office to the applicant or recipient showing the action taken on an energy case”...

(F) Notice #6, Form LIHEAP-37-K, Special ABCDS Authorization Notice, is mailed to A, B, C, D, and S clients who were pre-authorized for Low Income Home Energy Assistance Program (LIHEAP) heating assistance benefits. The notice advises the recipient that his or her heating assistance eligibility has been predetermined.

OAC 340:20-1-3 (b) states, “Selected ABCDS cases are normally pre-authorized during October. The Heating Assistance Program normally begins the first working day in December, and applications will be taken for a month or less.”

**Condition:** Based on discussion with management, selected ABCDS cases were pre-authorized for the December 2004 heating benefit during July of 2004.

**Effect:** Recipients could be pre-authorized for a benefit they are not eligible for at the time of payment.

**Recommendation:** We recommend the Department develop policies and procedures to ensure selected ABCDS cases are pre-authorized no more than two months before the beginning of the application period.

**Views of Responsible Official(s)**

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** Immediately

**Corrective Action Planned:** Preauthorization will be scheduled for selection no earlier than September 15<sup>th</sup> each year.

**REF NO:** 05-830-024

**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:** 93.568G05B1OKLIEA

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility

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

**Condition:** During testing of Low-Income Home Energy Assistance Program (LIHEAP) eligibility, the Department was unable to provide LIHEAP recipient detail data to support the FS-75 Expenditure Reports for SFY 2005. The FS-75 Expenditure Reports totaled \$12,682,735.99 and the LIHEAP recipient detail data totaled \$11,444,455.70. The difference is \$1,238,280.29, which is 9.76%.

**Cause:** A possible cause of the variance is that we were unable to obtain any recipient detail data to support the 8,069 recipients of the winter/year round crisis assistance reported on the FFY 2005 LIHEAP Household Report.

**Effect:** LIHEAP eligibility data provided by the Department may not be accurate and reliable.

**Recommendation:** We recommend the Department retain accurate and reliable LIHEAP recipient detail data.

### **Views of Responsible Official(s)**

**Contact Person:** Mel Phillips

**Anticipated Completion Date:** SFY 2006

**Corrective Action Planned:** Concur. The LIHEAP expedite file is the cause for the variance, but was not located in time for the auditors to complete their audit procedures. Program management will strive to ensure all applicable files are made available to auditors in a timely manner.

## Department of Mental Health and Substance Abuse Services

**REF NO:** 05-452-001

**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:** 05B1OKSAPT

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Subrecipient Monitoring

**QUESTIONED COSTS:** \$-0-

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

**Condition:** Facilities receiving SAPT block grant prevention funds have not received site visits during SFY2005. Approximately 20 prevention facilities receive SAPT Block Grant funding. During SFY05, only two appear to have received on-site monitoring.

**Effect:** The ODMHSAS has no assurance that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and performance goals are achieved.

**Recommendation:** We recommend the Oklahoma Department of Mental Health and Substance Abuse Services establish/implement policies and procedures to ensure the responsibility of monitoring subrecipients is assigned and performed in accordance with OMB Circular A-133.

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### *Views of Responsible Official(s)*

**Contact Person:** Andrea LaFazia – Director of Prevention Services

**Anticipated Completion Date:** March 31, 2006

**Corrective Action Planned:** The Prevention Division has established policies and procedures to monitor sub-recipients. Currently, the Prevention Division has a site review scheduled for all prevention programs to include all programs who receive SAPT Block Grant Funding. These site reviews will begin on March 2<sup>nd</sup>, 2006 and will be completed with a report to all reviewed programs by June 30, 2006.

This is the first year in which the Prevention Division has had adequate staff. Since July 2005, we now have a permanent Prevention Director and recently have been able to hire one field staff and anticipate hiring another field staff member by the end of June 2006.

**REF NO:** 05-452-002

**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:** 05B1OKSAPT

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$-0-

**Criteria:** 45 CFR § 96.30 states:

Fiscal and administrative requirements. (a) Fiscal control and accounting procedures. Except where otherwise required by Federal law or regulation, a State shall obligate and expend grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) *permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restriction and prohibitions of the statute authorizing the block grant.*

### **Condition:**

DMHSAS Internal Policy effective September 16, 2003 states in part:

#### **Purpose**

Block: Positions will be paid directly from the grant for specific compliance issues in the grant application. For the administrative portion, a percentage of time for specific FTE will be determined that represent efforts in conjunction with the necessary compliance, reports, and accounting of the block grant.

#### **Procedure**

FTE will be determined based on involvement in the grant.

A percentage of salary will be funded from grant.

Payroll reports will reflect FTE name and salary amounts assigned to grant funds.

The Department's policy regarding the charging of personnel services does not appear to allow the Department to report payroll costs in such a way that one can trace the funds to a level of expenditure

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adequate to establish such funds have not been used in violation of the restriction and prohibition of the statute authorizing the block grant.

In addition, we spoke with personnel in the Finance Division for documentation supporting the percentages of payroll charged to the grant. According to personnel in the Finance Division, the percentages charged to the SAPT Block Grant are determined judgmentally based upon each employee's job duties and/or a budgetary decision. The Department has a set amount of state and federal funding to support the substance abuse area and budgets are designed to balance out from each source.

**Effect:** Because the department uses arbitrary estimates based on job responsibilities to estimate the amount of administrative payroll to charge to the SAPT Block Grant, they cannot ensure that funds are being spent on allowable activities as prescribed by the Federal Block Grant's requirements.

**Recommendation:** We recommend the Oklahoma Department of Mental Health and Substance Abuse Services establish/implement policies and procedures to ensure all payroll charges reported under the SAPT Block Grant are adequately supported by written documentation based on actual, applicable tasks performed. These policies and procedures should address procedures for both direct and indirect payroll costs charged by both the Central Office as well as satellite facilities.

#### **Views of Responsible Official(s)**

**Contact Person:** Richard Bowden

**Anticipated Completion Date:** July 1, 2005

**Corrective Action Planned:** The Department agrees with the recommendation to establish and implement policies and procedures that will ensure all payroll charges reported under the SAPT Block Grant are adequately supported by written documentation. The Department will incorporate the following concepts in the new policies and procedures:

- 1) Personnel being 100% Federally funded by a single grant will have their time certified by their supervisors every six months as being related to a specific grant function.
- 2) Personnel being funded less than 100% from Federal grants, or split between grants will be certified by their supervisors with a time allocation attached to bi-weekly timecards.

Payroll charges will be adjusted quarterly based on the results of the previous quarter's time allocations.

Operating procedures have been approved to implement time allocation reporting. A time allocation reporting summary has been developed listing every employee that is either included in the time allocation reporting process, 100% certified, or excluded from reporting.

Certifications have been requested from all employees that qualify by working exclusively on one Federal program.

Time allocation reports have been requested from every employee included in the process on a four week cycle (every two pay periods). At the end of a quarter, the time allocation reports will be compiled and a report showing the maximum percentage of payroll for each employee allowable to be charged to a Federal program will be produced. This list will be used to adjust Federal payroll for the following quarter.

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**REF NO:** 05-452-004

**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:** 05B1OKSAPT

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed

**QUESTIONED COSTS:** \$343

**Criteria:** 45 CFR § 96.30 states:

Fiscal and administrative requirements. (a) Fiscal control and accounting procedures. Except where otherwise required by Federal law or regulation, a State shall obligate and expend grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) *permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restriction and prohibitions of the statute authorizing the block grant.*

Attachment 2, Addendum E1 of the SFY2005 contract between the Department of Mental Health and Substance Abuse Services and the prevention facilities states in part:

“Narrative Logs must be available as ‘back-up’ documentation for each staff/service hour reported in the ICIS reporting system”

**Condition:** While reviewing supporting documentation for services billed to DMHSAS for prevention services, we noted that the prevention facilities were not maintaining adequate supporting documentation for these services. The facilities bill these services through the ICIS reporting system. Some facilities claimed that the one to three word event/activity lines in the ICIS system fulfilled the narrative requirement of the contract while others kept very detailed records of the services performed. It appears that the required support for these services billed was left to the judgment of the facility.

In addition, we noted seven instances where employees from prevention facilities billed DMHSAS for overlapping periods of time. The facility was unable to provide adequate documentation for the overlapping charge. (Questioned Costs \$343)

**Effect:** Because the department has provided little guidance regarding the information that the narrative logs should contain, DMHSAS is unable to determine from supporting documentation what services were provided, how they were prevention related, and/or how much time was spent on these services. Unallowed costs could be charged to the program and not detected in a timely manner.

**Recommendation:** We recommend the Oklahoma Department of Mental Health and Substance Abuse Services amend prevention provider contracts by providing more detailed guidance on the type of information these facilities should be maintaining. We further recommend the Department implement into ICIS a control preventing charges for overlapping periods of time.

**Views of Responsible Official(s)**

**Contact Person:** Andrea LaFazia

**Anticipated Completion Date:** July 1, 2005

**Corrective Action Planned:** As of July 1, 2005 all prevention contracts were switched to cost reimbursement. ICIS is no longer used as a billing mechanism, but rather as a reporting mechanism for the SAPT Block Grant. Beginning in FY2005, prevention contracts specify the amount allowable in each

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budget category and require a detailed explanation of proposed expenditures. After the contract is finalized, the approved budget is used to monitor all prevention expenditures. The following language was used in our FY2005 contracts: "Payments will be made on a cost reimbursement basis for services that have been delivered. The following documentation is required along with the invoices:

- Monthly ICIS reports by each APRC staff (Except support/administrative)
- Time sheets from each staff member, detailing the number of hours worked per day
  - Signed and dated by supervisor and staff member.
- Copies of receipts for supplies, equipment, trainings, other, etc. that are being claimed for reimbursement.
- Travel reimbursement documentation must include the following: record of mileage must include, APRC staff name and signature, supervisor approval signature, destination to and from, date(s) of travel, time entering and exiting travel status, actual mileage detailing map miles and vicinity miles (with map quest or other search engine map mileage attached), reason for travel, per diem, lodging, and total amount of travel claim."

In addition, the following language was added to all contracts: "Prevention funding shall be expended per the budget submitted by the Contractor and approved by the Department. With the exception of the indirect costs, as described below, all prevention funding received through the Department pursuant to this addendum must be expended for prevention services only." Indirect costs are limited to 15% and paid on a 1/12th basis.

Monthly invoices are monitored, approved and processed by Mathangi Shankar, Fiscal Programs Manager. This allows the Department to closely track the expenditures according to their budget and work plan. In instances where the invoice does not meet the approved budget or work plan, the invoice, or portions thereof, are denied.

**REF NO:** 05-452-002IT

**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

**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.

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

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

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

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- Accesses to operation system security parameter tables.

### *Views of Responsible Official(s)*

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** July 1, 2005

**Corrective Action Planned:** In Progress, reports are being developed to display access attempts. All in-house developed software (not just ICIS) is being modified to only be accessed thru the main web application portal "Courier" login. Courier is being modified to log access attempts. Formal resolution procedures are being developed.

**REF NO:** 05-452-003IT

**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

**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:** 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

### *Views of Responsible Official(s)*

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** July 1, 2005

**Corrective Action Planned:** Risk assessment of critical and sensitive data is in progress and will be completed by the ODMHSAS Security Officer. Policies and procedures will be developed to control developer and support staff access rights and responsibilities.

**REF NO:** 05-452-004IT

**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 Grant for the Prevention and Treatment of Substance Abuse

**CONTROL CATEGORY:** Other

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**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 through 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.

#### **Views of Responsible Official(s)**

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** January 1, 2006.....provided funding is available.

**Corrective Action Planned:** Intrusion Detection software will be bought and installed. Third party scanning software will be purchased that periodically scans and reports on network security. Logs and reports will be reviewed by the ODMHSAS Security Officer. *Anticipated Cost:* \$60,000

**REF NO:** 05-452-005IT

**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 Grant for the Prevention and Treatment of Substance Abuse

**CONTROL CATEGORY:** Other

#### **Criteria:**

##### **Strategic Planning:**

According to the standards of the Information Systems Audit and Control Association (CobiT) Planning and Organization PO1.1, senior management is responsible for developing and implementing long- and short-range plans that fulfill the organization's mission and goals. In this respect, senior management should ensure that IT issues as well as opportunities are adequately assessed and reflected in the organization's long- and short-range plans. IT long- and short-range plans should be developed to help ensure that the use of IT is aligned with the mission and business strategies of the organization. In addition, according to the State of Oklahoma, Information Security Policy, Procedures and Guidelines, Section 3.1, minimum standards include system planning, contingency planning and disaster recovery.

##### **Steering Committee:**

According to CobiT Planning and Organization PO4.1, the organization's senior management should appoint a planning or steering committee to oversee the IT function and its activities. Committee membership should include representatives from senior management, user management and the IT function. The committee should meet regularly and report to senior management.

##### **Quality Assurance:**

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

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### **Staffing:**

According to CobiT Planning and Organization PO4.11, staffing requirements evaluations should be performed regularly to ensure the IT function has a sufficient number of competent IT staff. Staffing requirements should be evaluated at least annually or upon major changes to the business, operational or IT environment. Evaluation results should be acted upon promptly to ensure adequate staffing now and in the future.

**Condition:** The agency did not provide an IT strategic plan for our review but explained that the IT Strategic Plan was being updated for compliance with the eventual HIPAA regulations. The agency does not have a IT Steering Committee to plan and direct the IT function or a quality assurance program to adequately review projects ensuring that they meet user requirements and agency standards. According to management responses, they feel the current resources are inadequate to accomplish the objectives set forth for the IT function. Specifically, management feels they could better accomplish the goals of the agency in a timelier manner if they had more resources.

**Effect:** The IT function may not be meeting the agency's current and future needs without an adequate strategic plan. IT function decisions may be made that do not consider the agency's overall needs and goals without the oversight of a steering committee. The lack of a quality assurance program increases the potential that application development is not adequately tested and does not meet the project plans and specifications.

**Recommendation:** We recommend the OSDMH:

- Review their updated strategic plan to ensure it addresses the future needs of all management and considers recent developments in technology. In addition, this update and review should prepare OSDMH for the guidelines and procedure requirements of the Oklahoma Information Security Policy and Procedures Guidelines.
- Create and implement an IT steering committee whose responsibility is to oversee the IT function and its activities. The committee would ensure that the IT function is compatible with the business function of the agency. This committee should be made up of senior management, user management, and IT management. The committee should meet regularly and report to senior management.
- Develop and implement a quality assurance unit within the IT function to provide oversight and review of system development and implementation.
- Review their current staffing levels and current outstanding development projects, establish solid priorities for each project, and then complete the projects in a timely manner, as resources become available.

### ***Views of Responsible Official(s)***

**Contact Person:** Leo Fortelney, MIS Director

**Anticipated Completion Date:** January 1, 2006.....provided funding and resources are made available.

### ***Corrective Action Planned:***

- Review and update the IT Strategic Plan (short and long range).
- Create an IT Steering Committee to oversee the IT function and its activities to insure it meets the objectives of the agency.
- Develop and implement a quality assurance unit within the IT division to provide oversight for development and implementation of IT projects.
- Review current staffing levels and development projects, establish solid priorities for each project, and then complete the projects as resources become available.

**Anticipated Cost:** \$50,000 (Quality Assurance Staff within the IT division)

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**REF NO:** 05-452-006IT

**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 Grant for the Prevention and Treatment of Substance Abuse

**CONTROL CATEGORY:** Other

***Criteria:***

**Information System Change Management:**

The Acquisition and Implementation standards of the Information Systems Audit and Control Association, specifically CobiT AI5.7 states that management should define and implement formal procedures to control the handover of the system from development to testing to operations. Management should require that system owner authorization is obtained before a new system is moved into production and that, before the old system is discontinued, the new system will have successfully operated through all daily, monthly and quarterly production cycles. The respective environments should be segregated and properly protected.

**THE STATE OF OKLAHOMA INFORMATION SECURITY POLICY, PROCEDURES AND GUIDELINES**  
Section 9.4: Development and testing facilities must be separated from production facilities.

***Condition:*** The Integrated Client Information System (ICIS), an in-house developed database application, is used to track client information, including case histories, treatments, and addresses. The ICIS does not have separate development, testing, and production environment. The Agency uses test data in the production environment to perform testing on code in development. The server that contains the ICIS application is partitioned into a development and production. Having the two partitions on the same physical device increases the risk of unauthorized changes to the application or data.

***Effect:*** Increased risk that development and system test activities could cause serious problems, e.g. unwanted modification of files or system environment or system failure. The lack of separation between the test and development environment could allow developers to introduce unauthorized or untested, as well as possible malicious code into the production environment. This could cause the production environment to become unstable. When development staff is allowed access to the production system and its information, it increases the risk of unauthorized alteration and deletion of live data.

***Recommendation:*** We recommend the agency develop and implement separate development, testing, and production environments for the ICIS system.

- Development and operational software should, where possible, run on different computer processors or in different domains.
- Development and testing activities should be separated the best way possible.
- Compilers, editors, and other system utilities should not be accessible from operational systems.
- Different log-on procedures should be used for operational and test systems to reduce the risk of error. Users should be encouraged to use different passwords for these systems, and menus should display appropriate identification messages.
- Development staff should only have access to operational passwords where controls are in place for issuing passwords for the support of operational systems. Controls should ensure that such passwords are changed after use.

***Views of Responsible Official(s)***

***Contact Person:*** Leo Fortelney, MIS Director

***Anticipated Completion Date:*** January 1, 2006

***Corrective Action Planned:*** ODMHSAS will create separate test and production environments. The test and production environments will be on separate computers. Testing activities will only be done

## Schedule of Findings Federal Award Findings And Question Costs

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within the test environment. Different logon procedures will used for both systems and controls will be in places to ensure passwords are changed.

*Anticipated Cost:*

Initial Cost	\$50,000	Software and Hardware setup costs.
Yearly Cost	\$30,000	Additional software annual licensing.

### Department of Rehabilitation Services

**REF NO:** 05-805-001

**STATE AGENCY:** Department of Rehabilitation Services

**FEDERAL AGENCY:** Department of Education

**CFDA NO:** 84.126

**FEDERAL PROGRAM NAME:** Vocational Rehabilitation Grants to States

**FEDERAL AWARD NUMBER:** H126A-040053

**FEDERAL AWARD YEAR:** 2004

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** 300.00

**Criteria:** OAC 612:10-3-3(b) states “Financial Status Determination form must be completed on every client whose program includes services based on the financial status of the client.”

**Condition:** During testing of eligibility case files, we noted one (1) of the thirty-eight (38) case files tested, did not contain a Financial Status Determination form to support the client’s eligibility determination.

**Effect:** Without a Financial Status Determination, eligibility cannot be properly determined.

**Recommendation:** We recommend the Department follow internal policies to ensure proper eligibility determination.

**Views of Responsible Official(s)**

**Contact Person:** David Couch, Programs Field Representative

**Anticipated Completion Date:** November 15, 2005

**Corrective Action Planned:** Notification of all field staff in both Divisions reminding them of the importance of having a Financial Status Determination form in place on each case. Emphasis will also be added in unit focus trainings and an upcoming Quarterly Supervisors Meeting.

**REF NO:** 05-805-002

**STATE AGENCY:** Department of Rehabilitation Services

**FEDERAL AGENCY:** Department of Education

**CFDA NO:** 84.126

**FEDERAL PROGRAM NAME:** Rehabilitation Services – Vocational Rehabilitation Grants to States

**FEDERAL AWARD NUMBER:** H126A-040053, H126A-050053

**FEDERAL AWARD YEAR:** FFY2004, FFY2005

**CONTROL CATEGORY:** Cash Management

**QUESTIONED COSTS:** \$0

**Criteria:** According to the Cash Management Treasury-State Agreement (the Agreement) for State Fiscal Year 2005 funds are to be drawn according to the following funding techniques:

**Payroll – Average Clearance**

- The amount shall be for the exact amount of that disbursement.

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### **Medical/Pharmacy and Maintenance/Transportation – Monthly Variation #8**

The amount shall be requested

- on the fifteenth (or closest working day to the 15<sup>th</sup>)
- as an estimate based on actual payments of the prior month
- and adjusted to actual on a monthly basis

### **Administrative, nonpayroll, and nonmedical – Monthly Variation #3**

The amount shall be requested

- on the fifteenth (or closest working day to the 15<sup>th</sup>)
- as an estimate based on actual payments of the prior month
- and adjusted to actual on a quarterly basis

**Condition:** We reviewed an Office of State Finance report of all deposits coded with a CFDA #84.126 for the time period of April 1, 2005 through June 1, 2005. These draws appeared to be an estimate of prior month expenditures rounding down to whole dollar amounts. However, there were no indications the Department was adjusting to actual. Therefore, the Department may not be drawing funds in accordance with the funding techniques prescribed in the Cash Management Treasury-State Agreement.

In addition, it appears one draw made for payroll was not for the exact amount of that disbursement. This also is not in accordance with the funding technique prescribed in the CMIA.

**Effect:** By not drawing payroll for the exact disbursement amount and not adjusting to actual, the Department could have 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 Treasury-State Agreement requirements and that adjustments to actual are made by the Department in accordance with the Agreement. Also, if necessary, we further recommend the Department revise the Agreement to better fit the Department's needs.

### **Views of Responsible Official(s)**

**Contact Person:** Kevin Statham

**Anticipated Completion Date:** December 2005

**Corrective Action Planned:** Management concurs with the finding. While improvements have been made in data collection and timing of draws, quarterly adjustments have not been made timely. Staff will review procedures and develop more stringent controls.

**REF NO:** 05-805-004

**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-040053, H126A-050053

**FEDERAL AWARD YEAR:** FFY 2004, FFY 2005

**CONTROL CATEGORY:** Activities Allowed / Reporting

**QUESTIONED COSTS:** \$0

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

**Condition:** During testing of the Department of Rehabilitation Services financial statements, Management was unable to provide use with complete detailed data for fund 35X (Client Services) to support the amounts used when preparing the financial statements.

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This is a repeat finding from fiscal year 2004.

**Effect:** Information used to prepare the Department's financial statements may not be accurate and reliable.

**Recommendation:** We recommend the Department retain accurate and reliable information for the financial statements.

**Views of Responsible Official(s)**

**Contact Person:** Kevin Statham, Accountant

**Anticipated Completion Date:** March 2006

**Corrective Action Planned:** The Departments financial statements are accurate. The financial statements are prepared based on reconciled PeopleSoft expenditure reports. The data in question is the electronic information from the ORMIS client management system. The data from ORMIS is incomplete due to a high error rate in posting warrants from the PeopleSoft interface file. When items are unable to post in the nightly routine a manual process is involved to post the expenditure. The Agency is working to lower the error rate and keep postings current.

### Department of Transportation

**REF NO:** 05-345-001

**STATE AGENCY:** Department of Transportation

**FEDERAL AGENCY:** Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**CONTROL CATEGORY:** Procurement and Suspension and Debarment

**QUESTIONED COSTS:** \$-0-

**Criteria:** Oklahoma State Statute 61 O.S. 2001 § 104 states:

All proposals to award public construction contracts shall be made equally and uniformly known by the awarding public agency to all prospective bidders and the public in the following manner:

1. Notice thereof shall be given by publication in a newspaper of general circulation and published in the county where the work, or the major part of it, is to be done, such notice by publication to be published in two consecutive weekly issues of said newspaper, with the first publication thereof to be at least twenty (20) days prior to the date set for opening bids; and
2. Notice thereof shall be sent to trade or construction publications for their use and information whenever the estimated cost of the contract exceeds Fifty Thousand Dollars (\$50,000.00); provided however, that this section shall not be construed as requiring the publication of said notice in such trade or construction publication.

**Condition:** During testwork on 55 Project files, we noted that two or 4% did not contain the required newspaper advertisement, which serves as public notification. Further, upon request, the documentation could not be obtained from ODOT personnel.

**Effect:** We could not determine whether or not bids had been advertised as required in 61 O.S. 2001 § 104 for all of the projects in our sample.

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**Recommendation:** We recommend that Division of the Office Engineer ensure all project files contain the required newspaper advertisement for construction contracts.

**Views of Responsible Official(s)**

**Contact Person:** Brian E. Schmitt, P.E., Office Engineer

**Anticipated Completion Date:** 5/11/05

**Corrective Action Planned:** We were made aware of the 2 projects in question last year. Typically, tear sheets are sent back by the newspapers as proof that the advertisement has been placed. When we send the contract up to Comptroller Division we include this original tear sheet. For the 2 projects in question, we never received tear sheets from the newspaper and we were unsuccessful in obtaining these even though we did try. The difficulty is that many small newspapers do not keep accurate records of ads placed, compounded by the fact that our contractor for the placement of ads at the time was Red Rock Video. Red Rock Video would not pay the newspapers until ODOT paid Red Rock so obviously the newspapers were hesitant to give a "receipt" while the check was in the mail. Our current contractor for this service is Oklahoma Press Services and they are much better in terms of timely payment of bills.

As a result of this audit, the Office Engineer Division has implemented a better record system for tracking advertisements. This new system has been in effect since the June 2005 Letting. While the original tear sheet is still sent up to Comptroller Division with the contract, Jamie Nickell, APO records when the ads were sent and when the tear sheets or other confirmation of the placement of the advertisements were received by this office.

**REF NO:** 05-345-010

**STATE AGENCY:** Department of Transportation

**FEDERAL AGENCY:** 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 1,763 federally participating projects had no claim activity since July 1, 2004. The final voucher for these projects has not been prepared as of June 30, 2005.

**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.

**Views of Responsible Official(s)**

**Contact Person:** Mike Patterson

**Anticipated Completion Date:** None

**Corrective Action Planned:** ODOT will continue to improve the process relating to projects needing to be closed as well as those projects which have been authorized but not started. Several process improvements have been initiated which will provide for better management of ODOT federal funds.

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**REF NO:** 05-345-011  
**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  
**QUESTIONED COSTS:** \$ -0-

*Criteria:* 29 CFR § 3.3(b) states in part:

Each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by this part 3 and part 5 of this chapter during the preceding weekly payroll period.

29 CFR § 5.5(a) states in part, “The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls...”

29 CFR § 3.4(a) states in part, “Each weekly statement required under § 3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period...” Oklahoma Department of Transportation Construction Control Directive Number 971114 states in part:

The prime contractor and all subcontractors performing work on a federally funded contract are required to submit weekly payroll records to the Residency. All payroll records from the prime contractor or subcontractor shall be received within two weeks of the end of the payroll reporting period...The Residency must monitor the payroll records received weekly and should notify the prime contractor in writing for any failure to submit the required payrolls or to submit a record with the necessary information...The written notification to the prime contractor may state actions that could be taken by the Residency, including holding future progressive payments until the contractual requirement has been satisfied.

*Condition:* We selected 48 projects to test for compliance with the requirements of 29 CFR Parts 3 and 5 and the Department’s internal control directive. These parts of the Code of Federal Regulations were designed to aid in the enforcement of the minimum wage provisions of the Davis-Bacon Act. For the 48 projects selected, we tested the payrolls for 189 contractors or subcontractors; based on the Department’s documentation, this represented 100% of the contractors and subcontractors for the projects selected. Based on information provided by the Department, we expected there to be 1,874 payroll reports submitted during our audit period.

Based on the testwork performed, we noted the following:

- There were 144 weeks, or 7.68% ( $144 / 1,874 = 7.68\%$ ) of the weeks for which we expected payroll reports, where the Inspector Daily Report or the Daily Work Report indicated that contract work was performed but no payroll report could be found in the project file for that contractor or subcontractor. In addition, there was no evidence that the Department had followed up with the contractor in accordance with the Department’s control directive.
- There were 411 payroll reports, or 21.93% ( $411 / 1,874 = 21.93\%$ ) of the expected payroll reports, that were not received by the Residency within two weeks of the end of the payroll reporting period. In addition, there was no evidence that the Department had followed up with the contractor in accordance with the Department’s control directive.

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### Federal Award Findings

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- There were 434 payroll reports, or 23.16% ( $434 / 1,874 = 23.16\%$ ) of the expected payroll reports, that did not indicate the date the Residency received the payroll. Because of this, we were unable to determine if the payroll report had been submitted within the required time frame.

In addition, we noted the following inconsistencies between the Department's internal records (either SiteManager or the CAS system) which would seem to indicate internal control weaknesses over those records:

- There were 381 weeks, or 20.33% ( $381 / 1,874 = 20.33\%$ ) of the weeks for which we expected payroll reports, where the Inspector Daily Report or the Daily Work Report did not indicate that contract work was performed for a particular week although a payroll report was submitted by the contractor or subcontractor
- There were 15 weeks, or .80% ( $15 / 1,874 = .80\%$ ) of the weeks for which we expected payroll reports, where the Inspector Daily Report or the Daily Work Report indicated that work was performed but payrolls were submitted by the contractor or subcontractor indicating no work was performed..
- There were 5 weeks, or .27% ( $5 / 1,874 = .27\%$ ) of the weeks for which we expected payroll reports, in which the Inspector Daily Report indicated work was performed but did not indicate which contractor or subcontractor was on site.

**Effect:** Potential lack of compliance with 29 CFR Parts 3 and 5 and Internal Control Directive 971114 could cause the Department to be non-compliant with the Davis-Bacon Act requirements.

**Recommendation:** We recommend the Department develop and implement additional internal controls, policies, and procedures as needed to ensure compliance with federal regulations and established internal control directives.

#### **Views of Responsible Official(s)**

Concur with Finding, with the following exceptions/comments:

1. The statement on the first two conditions, that "there was no evidence that the Department had followed up with the contractor in accordance with the Department's control directive", is not the case on all of the observations cited. The records provided by ODOT for this audit (which were mutually agreed upon) did not include all of the project records. It is my understanding that there was evidence found of following up with the contractor on some of the projects audited, even with the limited records available during the audit. Additionally, it is possible that a more thorough investigation of the project records could reveal even more evidence of following up with the contractor.
2. Some of the referenced deficiencies were the result of payrolls being expected by the auditor for companies on the project site which provide a service, as opposed to being an "approved subcontractor". A cursory review indicates that this would result in less than a five percent variation in the number of observations reported on each of the first three conditions.
3. The third condition cited, regarding the date received being recorded, is not specifically required by the CFR or the Construction Control Directive. However, I concur with the condition as written even though it may not apply to the referenced criteria.
4. The final three conditions are not specifically required by the sections of the CFR or Construction Control Directive that were referenced in the finding for the criteria of the audit. The observations cited are further complicated by the confusion caused by differentiating between service providers and subcontractors. However, I concur with the conditions as written even though they may not apply to the referenced criteria.
5. The first condition indicates that payrolls were received in 92.4 % of the weeks they were expected. In my opinion, that is an indication that there is a process in place that is working efficiently and has little room for improvement. The second and third conditions further indicate that of 1,730 payrolls that were received, almost half of them were either late or didn't include the

## Schedule of Findings Federal Award Findings And Question Costs

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date received information to determine whether they were received timely. These conditions do indicate room for improvement.

6. The agency is still in the learning curve for the full utilization of SiteManager, which is the software now being used for contract administration. Familiarity with this software by agency personnel should reduce the number of inconsistencies cited on the final three conditions.

**Contact Person:** George T. Raymond, State Construction Engineer

**Anticipated Completion Date:** Staged implementation beginning FY 2006.

**Corrective Action Planned:**

1. Continued emphasis and communication on the Davis-Bacon requirements, including:
  - a. Distribution of the Finding results and the response to field personnel.
  - b. Discussion with management to continue emphasis with field personnel.
  - c. Discussion and emphasis to contractor associations.
2. Continued training and emphasis of proper utilization of SiteManager software program.
3. Revision of Construction Control Directive No. 971114 to add requirement to stamp the date received on the payrolls as they are received. Also, require that follow up correspondence to the contractor be logged or filed in the payroll files.
4. Revise specifications to better define differences between subcontractors and service providers.
5. Participation of ODOT in an AASHTO pool-funded project to develop software that can interface with SiteManager, which will assist the agency in managing the submittal of payrolls.

**Auditor Response:**

1. Although a more thorough investigation of the project records may have revealed additional evidence of follow-up with the contractor, it was our understanding that the mutually agreed-upon records to be provided would include all the documentation needed to test for compliance with the requirements.
2. The distinction between service providers and subcontractors was not directly communicated to us and was not explicit in the documentation provided by the Department at the time of our testwork. Management's corrective action plan appears to address this issue.
3. We agree that the CFR and Construction Control Directive do not specifically require that the contractor payrolls be date-stamped when received. However, without this control, or an alternative mitigating control, it may not be possible for the Department to prove its compliance with the CFR and Control Directive in some circumstances. Management's corrective action plan appears to address this issue.

**REF NO:** 05-345-005IT

**STATE AGENCY:** Department of Transportation

**FEDERAL AGENCY:** Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**CONTROL CATEGORY:** Other

**Criteria:** According to the standards of the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT), Delivery & Support objective #4, management should ensure IT services are available as required and to ensure a minimum business impact in the event of a major disruption. The methodology should ensure that the user departments establish alternative processing procedures that may be used until the IT function is available to fully restore its services after a disaster or an event. A continuity plan should identify the critical application programs, third-party services, operating systems, personnel and supplies, data files and time frames needed for recovery after a disaster occurs. Critical data and operations should be identified, documented, prioritized, and approved by the business process owners, in cooperation with IT management.

**Condition:** There is no documented, approved, and tested disaster recovery plan as well as no alternative processing procedures to ensure the continuance of state business, regardless of the condition of the IT environment. ODOT systems have not been classified and prioritized to identify the critical infrastructure

## Schedule of Findings Federal Award Findings And Question Costs

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and application systems, personnel and supplies, data files, as well as time frames needed for recovery should a disaster or other event occur.

**Effect:** Without a documented, approved and tested disaster recovery plan, efforts to restore the environment after a disaster or event could be prolonged or possibly unsuccessful. Without alternative processing procedures for end user departments, state business could become ineffective or cease due to reliance on the technology used in the business.

**Recommendation:** Management should develop a comprehensive disaster recovery plan. Such a plan should be developed through cooperation with IT management and the business process owners, and should take into consideration:

- Critically classification.
- Alternative procedures.
- Back-up and recovery.
- Systematic and regular testing and training.
- Monitoring and escalation procedures.
- Internal and external organizational responsibilities.
- Business continuity activation, fallback and resumption plans.
- Risk management activities.
- Assessment of single points of failure.
- Problem management.

### **Views of Responsible Official(s)**

**Contact Person:** David Ooten

**Anticipated Completion Date:**

**Corrective Action Planned:** Over the past two years, OSF has explored the option of a cold site backup data center with all state agencies. ODOT has elected to wait until the results of the effort are known to determine the appropriate course of action to take.

**REF NO:** 05-345-006IT

**STATE AGENCY:** Department of Transportation

**FEDERAL AGENCY:** Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** 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:** Our review of the weekly process to transfer data from the Financial Management System to the Project Funding System and subsequent creation of the weekly billing to the Federal Highway Administration (FHWA) found the procedures to be inadequate in ensuring the transfer was complete. In addition, the data processing and tracking techniques used to calculate the weekly billing to the FHWA does not prove data processing continuity either in number or records or dollar amounts between the source information used to create the billing and the final amount billed to FHWA. After several attempts by Comptroller Division staff, it was determined that the final amount billed to FHWA cannot be reconciled to the source information used to create the billing.

**Effect:** A weak internal control structure has increased the risk of inaccurate federal funds billing and reporting. The internal control structure is weakened. Data loss could occur during the process. This loss may not be discovered and corrected.

## Schedule of Findings Federal Award Findings And Question Costs

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**Recommendation:** We recommend the Department of Transportation adopt a procedure for monitoring information systems, to include controls to ensure the completeness, validity, and accuracy of source information used to create the FHWA billing. This would entail matching system reports to relevant control totals at the onset of processing. These beginning totals, once validated, should be carried forward and reconciled with adjustments for proven processing shown by system reporting. The beginning totals, adjusted for this processing should agree with the amounts billed to FHWA. To implement such controls, the Department of Transportation should consider implementing documented error procedures that include:

- Accuracy checks
- Completeness and authorization checks
- Date input error handling
- Data processing integrity
- Data processing data error handling.
- Correction and resubmission of errors require approval
- Assign individual responsibility for suspense files, generate reports for non-resolved errors
- A suspense file prioritization scheme should be available based on age and type of error.

**Views of Responsible Official(s)**

**Contact Person:** David Ooten

**Anticipated Completion Date:**

**Corrective Action Planned:** ODOT has had for some time the process and procedures in place to reconcile the project funding system (PFS) to the systems that feed expenditure. Those systems are the financial management system (FMS), the equipment system, the time and attendance system (A-), and the lab cost system. When and if, costs are not accepted by PFS from the other systems, a process is available to ensure that any valid costs are corrected and loaded into PFS for the capturing of projects cost and possible billing to a partnering entity.

During the status meeting with the Auditor it was suggested that a resolution to this audit finding would be to provide automated reconciliations in PFS. While this feature is also preferred by ODOT, it is not an available option at this time.

**REF NO:** 05-345-007IT

**STATE AGENCY:** Department of Transportation

**FEDERAL AGENCY:** Department of Transportation

**CFDA NO:** 20.205

**FEDERAL PROGRAM NAME:** Highway Planning and Construction

**CONTROL CATEGORY:** Other

**Criteria:** According to the standards of the Information Systems Audit and Control Association, Control Objectives for Information Technology (CobiT), Planning & Organization objective #4, management should ensure the organization is suitable in numbers and skills with roles and responsibilities defined and communicated, aligned with the business and that facilitates the strategy and provides for effective direction and adequate control. These roles and responsibilities should be designed with consideration to adequate segregation of duties.

**Condition:** End users within the Comptroller Division have direct access to change/modify production reporting through TSO. The ability to modify the results of production reports jeopardizes the integrity of the financial information. Data and production reporting modified in this way is not subject to audit trails or other application controls. Additionally, the financial reconciliation of the material ODOT accounts found in their statement of net assets (e.g., Infrastructure, Construction in Progress, Federal Receivable) are performed using Ad-Hoc queries rather than through standardized production reporting.

## **Schedule of Findings Federal Award Findings And Question Costs**

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**Effect:** Data and production reporting are subject to an increased risk of unauthorized, erroneous or fraudulent changes outside of the controls offered by the applications.

**Recommendation:** End users should only have access to change / modify production data through application controls as specified by the data owner. Direct user access to production data should be discouraged and eliminated through an overall application and operating system security design specified by the data owner. Material accounts should be reconciled using standardized production reporting to prevent inherent differences that could occur between periods when ad-hoc queries are used.

**Views of Responsible Official(s)**

**Contact Person:** David Ooten

**Anticipated Completion Date:**

**Corrective Action Planned:** This finding refers to the ability of the Comptroller personnel to develop ad hoc reports from production databases and historical files. The ability of those personnel to develop those reports is necessary and will not be restricted.

## **Summary Schedule of Prior Findings**

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Note: Schedule is presented alphabetically by state agency.

### Department of Central Services

**Finding No:** 03-580-003, 04-580-006

**CFDA:** 39.003

**Federal Agency:** General Services Administration

**Control Category:** Special Tests and Provisions-Fair and Equitable Distribution and Fees

**Finding Summary:** The Department is not consistently following their State Plan of Operation relating to service charges assessed.

**Status:** Corrected.

**Finding No:** 03-580-004, 04-580-001

**CFDA:** 39.003

**Federal Agency:** General Services Administration

**Control Category:** Eligibility

**Finding Summary:** Appropriate documentation was not maintained in various eligibility files.

**Status:** Corrected.

### 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 the finding, including possible offsets, and other allowances. Awaiting response of U.S. Department of Education.

**Finding No:** 04-265-005, 03-265-003, 02-265-006, 02-265-007

**CFDA:** 84.010

**Federal Agency:** Department of Education

**Control Category:** Subrecipient Monitoring

**Finding Summary:** Department policy states each LEA will be monitored once every five years. During testing, it was noted that several LEA's had not received a review in the last five years. We also noted that some LEA's had not received follow-up by the Department to ensure corrective action was taken on deficiencies noted during the monitoring process.

**Status:** Partially corrected. See management's response and corrective action plan in the current year finding 05-265-002.

**Finding No:** 04-265-007, 03-265-006

**CFDA:** 84.367

**Federal Agency:** Department of Education

**Control Category:** Subrecipient Monitoring

**Finding Summary:** The Department does not have adequate monitoring procedures to assure compliance with applicable Federal requirements and that performance goals are being achieved.

**Status:** Partially corrected. See management's response and corrective action plan in the current year finding 05-265-005.

## Summary Schedule of Prior Findings

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**Finding No:** 03-265-011

**CFDA:** 84.027, 84.173

**Federal Agency:** Department of Education

**Control Category:** Level of Effort, Maintenance of Effort

**Finding Summary:** The Department did not reduce funding for LEA's that did not meet the required level of effort/maintenance of effort.

**Status:** Corrected.

**Finding No:** 04-265-001

**CFDA:** 84.027, 84.173

**Federal Agency:** Department of Education

**Control Category:** Level of Effort/Maintenance of Effort

**Finding Summary:** The Department identified 267 out of 543 LEAs that did not meet the level of effort/maintenance of effort requirement for the 2003 federal grant year.

**Status:** Corrected.

### Oklahoma Employment Security Commission

**Finding No:** 04-290-002

**CFDA:** 17.225

**Federal Agency:** Department of Labor

**Control Category:** Reporting

**Finding Summary:** During our testing of the period ending June 30, 2004, ETA 227 Overpayment Detection and Recovery Activities report, we were unable to determine a reconciliation for the ETA 227 had been performed. In addition, detailed documentation was not maintained to support the amounts reported on the ETA 227.

**Status:** Corrected.

### Department of Health

**Finding No:** 03-340-012

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions – Monitoring For-Profit Subrecipients, Special Tests and Provisions-Record of Immunization

**Finding Summary:** During testing of 60 Quality Assurance Site Visit Reports, we found the Department was not:

- following its policies and procedures for conducting Quality Assurance Site Visit follow-up;
- completing the Quality Assurance Site Visit forms;
- tracking subrecipients monitored each year.

**Status:** Partially Corrected

All field staff have been provided with access to policies and procedures for QA site visit follow-up that has been added to the visit form. Completion of forms has been reinforced to all staff and is part of the checklist identified in item 04-340-004.

Tracking of sub-recipients was conducted through use of a CDC database.

Following restructuring of the Immunization Field staff in May of 2005, the Regional Immunization Coordinators are now responsible to review all QA visits performed in their area, using the checklist, prior to submission for data entry. Tracking of sub-recipients is now being conducted through a new database program provided CDC.

## Summary Schedule of Prior Findings

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**Finding No:** 03-340-014

**CFDA:** 93.283

**Federal Agency:** Department of Health and Human Services

**Control Category:** Equipment and Real Property Management

**Finding Summary:** During testing of 52 equipment purchases, we noted 13 claims containing equipment items not entered into the agency's equipment database nor identified by a tag.

**Status:** Corrected

**Finding No:** 03-340-1IT, 04-340-009IT

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** The Department's disaster recovery plan does not appear to be complete.

**Status:** Not Corrected, see management response to current year finding 05-340-006IT

**Finding No:** 03-340-2IT, 04-340-010IT

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** The Information Technology Services Division does not have security policies or procedures in place.

**Status:** Partially corrected, see management response to current year finding 05-340-007IT

**Finding No:** 03-340-3IT, 04-340-004

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** Data communications with remote sites are not encrypted and are subject to interception.

**Status:** Corrected

**Finding No:** 04-340-001

**CFDA:** 93.283

**Federal Agency:** Department of Health and Human Services

**Questioned Costs:** \$12,831

**Control Category:** Real Property and Equipment Management

**Finding Summary:** Based on tests of individual equipment items purchased, we noted instances where equipment was not recorded accurately and timely. In addition, the department has not completed a physical inventory within the last two years.

**Status:** Partially corrected

We are still in the process of revising inventory policies and procedures. Correction and update of inventory records has been completed when identified. Physical inventory is over 90% complete for both county health department sites and central office facility. Reconciliation activities are ongoing at this time.

**Finding No:** 04-340-002

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions

**Finding Summary:** During our testwork of 55 provider enrollment forms, we found that the Department was unable to locate 2 signed provider enrollment forms. In addition, of the 55 provider profiles we tested, we found the Department did not have either an updated 2003 Provider Profile and/or had no provider profile form for 25 providers.

## Summary Schedule of Prior Findings

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**Status:** Partially Corrected. The Department requested in March/April that all providers re-enroll in the VFC Program and provide an updated provider profile. To date, the Department has received a substantial number of re-enrollment forms and profiles and is in process of following up with providers who have not responded or who have incomplete or missing information in their response. The Department has issued a June 24 stop shipment date for public clinics not in compliance and will issue a July stop shipment date for non-complying private clinics.

**Finding No:** 04-340-004

**CFDA:** 93.268

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions

**Finding Summary:** During our testwork of 55 QA site visits forms, we noted some that did not appear to monitor the subrecipient for compliance with control and accountability of vaccine by performing a Doses Distributed to Doses Administered Analysis and compliance with Immunization record keeping. We also noted some site visit forms were not properly completed to ensure the subrecipient was being monitored adequately and other site visit forms that did not appear to provide proper follow-up in reaction to the findings from the monitoring process (Quality Assurance Site Visits) when deficiencies were noted.

Further, during our testwork of 110 Client VFC Quality Assurance Chart Reviews we noted 1 QA client chart review form reviewed by the field representative did not appear to include the date of the administration of the vaccine and 2 QA client chart review forms reviewed by the field representative did not appear to include the vaccine lot number.

**Status:** Partially Corrected

Quality Assurance site visit forms are reviewed by department staff using a form developed for this purpose, which includes a checklist of required documentation. If the Quality Assurance Visits Form is not completed or if required documentation is not attached, the form is returned to the staff person who conducted the visit. This process was started in 2004.

Follow-up procedures were reviewed with all staff conducting QA Visits. The form to record follow-up activities was revised and updated to clarify required follow-up activities.

All staff conducting QA Visits participated in formal training reviewing follow-up procedure in September 2004.

Following restructuring of the Immunization Field staff in May of 2005, the Regional Immunization Coordinators are now responsible to review all QA visits performed in their areas prior to submission for data entry.

### Oklahoma Health Care Authority

**Finding No:** 03-807-002, 04-807-001

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Cash Management

**Finding Summary:** We noted the Authority was not in compliance with the Treasury-State Agreement in regards to its administrative draws.

**Status:** Corrected.

**Finding No:** 03-807-011, 04-807-004

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Allowable Costs/Cost Principles

**Finding Summary:** We noted instances of labelers who submitted their drug rebate payments late and had not been billed for interest. We also noted that no response was received from one labeler to OHCA's invoice. Based on our conversation with the Drug Rebate Manager, it appears OHCA has continued billing the labeler; however, the labeler's nonpayment has not been reported to CMS.

**Status:** Not corrected, current year finding #05-807-005. We concur with the finding.

1. We have already implemented procedures to manually compute and bill interest due on late payments and disputed payments, and have been doing so since 10-1-2004. We are also sending

## Summary Schedule of Prior Findings

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out late notices on past due payments. One notice is a reminder for current quarter rebates, and the second notice contains a full accounts receivable statement for all outstanding quarters.

2. We have completed the posting of all rebate payments to the NDC/Quarter level, from 1-1-91 thru 12-31-98 as stated in last year's response.
3. We are in the process of adjusting all receivable accounts to the correct balances. We expect to complete this task by June 30, 2006.
4. The computer program is already in place to automatically bill interest on late payments and disputed amounts, and after the accounts receivable have been adjusted to the correct balances, we will "turn on" the interest billing program. We expect to implement on July 1, 2006.
5. We will document all attempts to collect outstanding rebates from labelers, and if this yields no results, we will report the labeler to CMS.

**Finding No:** 03-807-013

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** We noted 189 of 405,195 claims were billed for children; however, the procedure code was for an adult.

**Status:** Not corrected, current year finding #05-807-009. We concur with the finding. Recovery of inappropriate payments will be made. We have initiated a plan of action to ensure appropriate edits are in place and that the system will be developed and implemented to establish/activate age and sex requirement edits in our system regarding these procedure codes.

**Finding No:** 03-807-015

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** We noted five possible duplicate nursing facility claims.

**Status:** Corrected.

**Finding No:** 03-807-019

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** We selected a sample of 72 pharmacy claims and were unable to verify the drugs had been dispensed for five of the claims.

**Status:** Not corrected, current year finding #05-807-011. We concur with the audit finding. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review prescription drug charges through our annual internal review of Medicaid expenditures.

**Finding No:** 03-807-022

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** During a review of medical records, we noted various exceptions. As a result, the Authority may be paying for procedures not performed, or not consistent with the recipient's diagnosis.

**Status:** Not corrected, current year finding #05-807-016. We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be returned to CMS. The OHCA internal audit unit will continue to review clinic service charges through our annual internal review of Medicaid expenditures.

## Summary Schedule of Prior Findings

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**Finding No:** 03-807-024

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** During testing of 94 Home and Community Based Waiver services, we noted 67 instances where the third party liability was only partially considered or not considered when calculating the reimbursement amount.

**Status:** Corrected.

**Finding No:** 04-807-003

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions-Utilization Control and Program Integrity

**Finding Summary:** During testing cases, we noted instances where the first level of review was initiated more than 50 days from the date of selection. We also noted cases in which OFMQ had performed the sample selection in June 2004 and at the time we performed our testwork in October 2004, the first level of review had not yet been initiated.

**Status:** Not corrected, current year finding #05-807-004. Our responses are as follows:

- Condition 1 – We concur with this finding. In November 2004, as part of OHCA's ongoing monitoring activities of OFMQ contract requirements, we identified this same issue. Corrective action was taken immediately. A bi-weekly status report requirement was implemented and timeline for completing those that were behind schedule was set for March 31, 2005. OFMQ met this timeline. The bi-weekly status report was made a component of the SFY 06 contract and OFMQ is now substantially (>97%) meeting their review requirements.
- Condition 2 – Further research is being performed, appropriate actions will be taken based on our research.

**Finding No:** 04-807-005

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions – ADP Risk Analysis and System Security Review

**Finding Summary:** Based upon discussions with personnel in the Information Systems Division, it appears the last risk analyses and system security review was performed in September 2001. Although OHCA has a risk analyses and system security review scheduled for March 2005, this does not appear to meet the biennial requirement.

**Status:** Corrected.

**Finding No:** 04-807-006

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$4,453

**Finding Summary:** We noted instances where the same provider received more than one payment for the same recipient for the same dates of service and different providers received payment for the same recipient for the same date of service.

**Status:** Corrected.

**Finding No:** 04-807-007

**CFDA:** 93.767, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$1,011

**Finding Summary:** While performing analytical procedures on physician's services paid under the Medical Assistance Program, we noted claims that appear to have been improperly coded. Also, while

## Summary Schedule of Prior Findings

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performing analytical procedures on physician's services paid under the State Children's Insurance Program, we noted one (1) claim that appears to have been improperly coded.

**Status:** Not corrected, current year finding #05-807-009. We concur with the finding. Recovery of inappropriate payments will be made. We have initiated a plan of action to ensure appropriate edits are in place and that the system will be developed and implemented to establish/activate age and sex requirement edits in our system regarding these procedure codes.

**Finding No:** 04-807-008

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

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

**Questioned Costs:** \$135,241

**Finding Summary:** We noted long-term care facilities listed had continued to receive Medicaid payments for services rendered after the date of decertification by OSDH and the appeals process. We noted long-term care provider files did not include a HCFA 1539 however; this form was included in the same provider files at the OSDH. We also noted provider files that did not include a HCFA 1539 form indicating the facility had been recertified.

**Status:** Not corrected, current year finding #05-807-003. We concur with the finding. Both OHCA and Department of Health files now contain the questioned forms. As a long term solution, we are working with the DOH to develop a single file access to the certification forms (form 1539).

**Finding No:** 04-807-010

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$1,712

**Finding Summary:** Based upon a medical professional's review of medical records to support clinic services charges we noted instances in which medical records did not appear to support the procedure billed. In addition, while reviewing records for one service, it was noted a duplicate payment occurred on the physician services claim associated with our selected service.

**Status:** Not corrected, current year finding #05-807-016. We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be returned to CMS. The OHCA internal audit unit will continue to review clinic service charges through our annual internal review of Medicaid expenditures.

**Finding No:** 04-807-011

**CFDA:** 93.767, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$14

**Finding Summary:** During our testing Mental Health services with TPL amounts, we noted instances in which the TPL amount was considered before payment was made by OHCA. During testing of physician services with TPL amounts, we noted instances in which it appears the cents in the TPL amount were not considered in the payment amount. In addition, we noted instances in which the TPL amount did not appear to have been credited before payment nor did it appear to be a reasonable amount. We also noted one instance in which it appears the TPL amount was credited, however, it did not appear to be a reasonable amount.

**Status:** Corrected.

**Finding No:** 04-807-012

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$8,198

## Summary Schedule of Prior Findings

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**Finding Summary:** Based upon a medical professional's review of medical records to support physician services charges we noted instances in which the medical records did not appear to support the procedure billed. We also noted various coding exceptions.

**Status:** Not corrected, current year finding #05-807-014. We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review physician service charges through our annual internal review of Medicaid expenditures.

**Finding No:** 04-807-013

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$803

**Finding Summary:** We selected a sample of recipients for a total of 106 prescriptions from eight pharmacies and requested each pharmacy submit documentation to verify the prescriptions were received by the recipient. This documentation could include delivery tickets, signature logs, etc.. Based on a review of the documentation received from the providers, we noted nine prescriptions were returned with no signature log or delivery ticket.

**Status:** Not corrected, current year finding #05-807-011. We concur with the audit finding. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review prescription drug charges through our annual internal review of Medicaid expenditures.

**Finding No:** 04-807-014

**CFDA:** 93.767

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$70

**Finding Summary:** Based upon a medical professional's review of medical records to support physician services charges, we noted instances in which the medical records did not appear to support the procedure billed.

**Status:** Not corrected, current year finding #05-807-015. We concur with the finding. Further analysis will be done and appropriate action will be taken. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review physician service charges through our annual internal review of Medicaid expenditures.

**Finding No:** 04-807-015

**CFDA:** 93.767, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Allowable Costs/Cost Principles

**Finding Summary:** We obtained the Random Moment Time Study surveys for the period of April 2004 through June 2004 and noted the following: instances where an employee was chosen twice during the same hour of the same day to receive a survey, days where an insufficient number of surveys were sent out, and instances where the surveys were not responded to for several days after they were sent.

**Status:** Partially corrected, current year finding #05-807-008. We concur with the finding. Our responses are as follows:

- Condition 1 – Action was take in August 2005 to correct this condition based on a SFY 04 finding; items identified in this review occurred prior to the corrective action. No further action is necessary.
- Condition 2 – Action was taken in November 2005 to correct this condition based on a SFY 04 finding; items identified in this review occurred prior to the corrective action. No further action is necessary.
- Condition 3 – Corrective action will be taken to ensure surveys are responded to appropriately; possible actions may include periodic notifications to supervisors informing them of their responsibility to notify the Finance Division when employees are on extended leave, survey info sheet for all new employees, periodic e-mails to survey employees detailing them of their survey responsibility, etc.

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**Finding No:** 04-807-016

**CFDA:** 93.767, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Allowable Costs/Cost Principles

**Finding Summary:** During testing of direct payroll expenditures, we noted the Authority does not maintain certifications for employees charged directly (solely) to a program.

**Status:** Corrected.

**Finding No:** 04-807-018

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Finding Summary:** We selected a sample of nursing facility patients for a review of their Pre-admission Screening and Resident Review (PASRR) and noted various exceptions which indicate that the OHCA could be paying for nursing facility patients that may not be eligible.

**Status:** Corrected.

**Finding No:** 04-807-019

**CFDA:** 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions – Provider Eligibility

**Questioned Costs:** \$197

**Finding Summary:** We tested a sample of providers which are required to have current contracts, license and disclosure information. We noted one provider was no longer in business and surrendered their license on 11/14/03 according to the Service Contracts Operations Manager and the ambulance license verification authority. The Service Contracts Operations Manager stated this provider number was keyed in error and the reimbursement amounts paid to this provider should have been paid to another provider.

**Status:** Corrected.

**Finding No:** 04-807-020

**CFDA:** 93.767

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$6,893

**Finding Summary:** Based upon a medical professional's review of medical records to support dental service charges, the following was noted: instances in which records were not signed as required by OHCA policy, instances in which services provided did not appear to be medically necessary, medical records that supported a lower level of service had been performed, medical records that did not appear to support the services billed, and medical records that did not appear to support the services had been provided.

**Status:** Not corrected, current year finding #05-807-012. We concur with the finding. Further analysis will be performed and appropriate actions will be taken. The federal share will be refunded to CMS. The OHCA internal audit unit will continue to review dental service charges through our annual internal review of Medicaid expenditures.

**Finding No:** 04-807-021

**CFDA:** 93.767, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** While performing analytical procedures on clinic services paid under the Medical Assistance Program and State Children's Insurance Program, we noted services that appear to have been billed at the adult rate when it appears the recipient was a child. We also noted clinic services paid under the Medical Assistance Program which appeared to have been billed at the child rate when the recipient appeared to be an adult.

**Status:** Not corrected, current year finding #05-807-010. We concur with the finding. Recovery of inappropriate payments will be made. We have initiated a plan of action to ensure appropriate edits are in

## Summary Schedule of Prior Findings

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place and that the system will be developed and implemented to establish/activate age and sex requirement edits in our system regarding these procedure codes.

### Department of Human Services

**Finding No:** 99-830-028, 03-830-024, 04-830-035

**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:** Not corrected. We, as a unit, have been working on procedures for the Finance – CARE Unit. We are nearing completion of this project.

**Finding No:** 00-830-021, 01-830-028, 02-830-014, 03-830-003, 04-830-021

**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 supporting the information reported on the Annual Report of Households assisted by LIHEAP.

**Status:** Not corrected. Request Data Services Division to provide the same data reports to LIHEAP program management and State Auditors.

**Finding No:** 01-830-023, 02-830-009, 03-830-021, 04-830-024

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

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

**Finding Summary:** There were cases that 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:** Not corrected. FSSD is currently working under a Federal Compliance Plan that was accepted in July 2005 and audit results for the period of July 1, 2005 through June 30, 2006 will be used to determine whether Oklahoma has achieved compliance. Effective 8/15/05, FSSD has been generating TANF/CSED non-cooperation reports on the first and third Monday of each month. These reports are sent via email to staff responsible for the administration of TANF programs in each county. Staff is instructed to validate non-cooperation status and take appropriate program penalty action. Case record is updated regarding the cooperation status and any penalty action that was or was not required. To ensure timely penalty action is taken on TANF benefits, FSSD/TANF staff monitors this report and contacts appropriate staff when penalty action has not been taken. CSED staff has been instructed on the importance of timely and accurate updating of their screens regarding cooperation/non-cooperation.

**Finding No:** 03-830-004, 04-830-022

**CFDA:** 93.658

**Federal Agency:** Department of Health and Human Services

**Control Category:** Reporting

**Finding Summary:** We were unable to obtain documentation for foster care clothing voucher expenditures included in the *Foster Care and Adoption Assistance Financial Report*.

**Status:** Corrected.

**Finding No:** 03-830-006

**CFDA:** 93.575, 93.596

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

## Summary Schedule of Prior Findings

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**Finding Summary:** While testing 38 case files, we noted four files did not contain an application for all or a portion of the period in which daycare services were received. In addition, we noted three cases in which the client did not pay the full co-pay amount, resulting in the Department overpaying its portion.

**Status:** Corrected.

**Finding No:** 03-830-009

**CFDA:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed, Reporting

**Finding Summary:** During testing of 38 cases, we noted one case appeared to have received an incorrect benefit type and another case file could not be located.

**Status:** Not corrected. County staff will be reminded of the importance of filing all applications in the appropriate case file in next fall's LIHEAP training.

**Finding No:** 03-830-012, 04-830-023

**CFDA:** 93.563, 93.575, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Allowable Costs/Cost Principles

**Finding Summary:** The Department does not appear to be allocating building acquisition costs in accordance with OMB Circular A-87.

**Status:** Partially corrected. Negotiations are ongoing between DHHS DCA and the OKDHS Division of Cost Allocation to settle the depreciation issue and the payback for prior periods. OKDHS hopes for a resolution soon. The Division of Cost Allocation is no longer charging the principal payments each month through claims payments.

**Finding No:** 03-830-013, 04-830-020

**CFDA:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility, Activities Allowed or Unallowed

**Finding Summary:** The Department does not have a policy or procedure for verifying the income of certain individuals applying for LIHEAP.

**Status:** Corrected.

**Finding No:** 03-830-016, 04-830-007

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** During testing of cases, we noted cases in which no TANF application or review was found for the time period tested. In addition, we noted one case where the application was denied; however, the recipient still received benefits. We also noted cases where the county office was unable to locate the case file for review and one case in which a TANF application or review was found for the time period tested however it was not completed in a manner which would allow for the determination of benefit eligibility.

**Status:** Not corrected. Audit findings will be discussed with the appropriate Field Liaisons and the county offices regarding the lack of application and review forms in the case records. Back to basic sessions will be scheduled to reiterate and emphasize the necessity of following policy regarding applications and review forms in the county case records.

**Finding No:** 03-830-017, 04-830-006

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** During testing of cases, we noted one case where the client was approved for TANF even though the client had already received TANF for 60 months. In addition, we noted clients received benefits for more than 60 months without applying for an extension.

## Summary Schedule of Prior Findings

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**Status:** Not corrected. Currently in place are procedures that alert the client and the county worker when the client's time limit for TANF is imminent. During the 57 month of receipt of TANF, a notice is issued to the client advising them of the approaching time frame and the steps to follow. There is a County Worker Activity (CWA) report that lists the case number and the name of the client(s) who have received 57 months of TANF. The client's name and case number remains on this report until the TANF cash benefit is terminated or approved for a hardship extension. Training was provided at the Supervisor's Conference in August 2004 and Quarterly Training in March 2005 for the process a county worker is to follow for TANF cases that are approaching the 60 month time limit and the appropriate procedures to be used when a client requests or does not request a hardship extension.

**Finding No:** 03-830-018, 04-830-004

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** During testing of cases that received both TANF and Diversion Assistance, we noted cases that received both types of assistance during the same month. In addition, we noted cases that received both types of assistance in the same year without documentation of approval from the county director and one case that received both TANF and Diversion Assistance during the same year that was approved by the County Director, however the TANF was issued within three months of the Diversion Assistance resulting in a duplication of benefits.

**Status:** Not corrected. The county office that approved TANF and Diversion benefits for the same month has been contacted. The county offices that issued TANF benefits less than a year after Diversion Assistance benefits issued have been contacted regarding the need to document in case notes or in the case record the approval of the county director when TANF is approved less than a year from the date of the Diversion Assistance approval. Statewide quarterly training for Diversion Assistance was completed in March 2005 with subsequent training being provided by supervisory staff to the local county workers. Additional training is scheduled for spring 2006.

**Finding No:** 03-830-019, 04-830-005

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Reporting

**Finding Summary:** During testing of case files reported on the Department's ACF-199 report, we noted cases coded as receiving child care benefits; however, the cases did not receive child care benefits.

**Status:** Not corrected. FSSD modified report number ACF-199, Field 17, "Receives Subsidized Child Care" to correct the previous data inaccuracy. FSSD has also modified report number ACF-199, Field 18, "Amount of Subsidized Child Care." The data errors are caused by the migration of the Child Care data from IMS/PS2 system to DB2/QMF as a result of statewide EBT implementation. DSD will change the source of the data retrieval from IMS/BNX transaction receiving data from database CA254dbd to DB2 table, AMOUNT\_PAID field. This data source will change effective the transmission of data in February 2006. Therefore, data for the first quarter FFY 2006, last calendar quarter 2005 will be accurate. There is no need to retransmit inaccurate data from FFY2005. This error should not recur.

**Finding No:** 03-830-020, 04-830-009

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions-Adult Custodial Parent of Child Under Six When Child Care Is Not Available

**Finding Summary:** In certain cases tested, we could not locate in the case notes an indication that the case was closed due to a refusal or failure to participate without good cause.

**Status:** Not corrected. The county offices that failed to follow policy and procedure have been contacted and "back to basics" sessions are being planned. Statewide quarterly training was completed in March 2005 which discussed the sanction process and the correct procedure to be followed when a client fails or refuses to participate in TANF Work without good cause.

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**Finding No:** 03-830-022, 04-830-025

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

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

**Finding Summary:** We were unable to verify the non-cooperation cases received by the Child Support Enforcement Division were reported to the PS-2 system for resolution.

**Status:** Not corrected. Statewide training was provided on the new process in February and April 2005. Subsequent training was provided to the field staff through correspondence and email when the bi-weekly report was initiated. The continued long-term plan is the development of an automated process for TANF non-cooperation with CSED. FSSD has included the programming/process as a priority project for the division and will be elevated to a priority ranking for Data Services Division. The initial estimate for completion of the project by the first quarter of FY06 was premature. Continuing dialogue and refinement to the process has been necessary and it appears that the estimated completion would be the third quarter of FY06.

**Finding No:** 04-830-003

**CFDA:** 93.044, 93.045

**Federal Agency:** Department of Health and Human Services

**Control Category:** Cash Management

**Questioned Costs:** Undeterminable

**Finding Summary:** Based on testwork performed and discussion with management, it appears there are no written procedures in place to determine the monthly disbursement amount for each subrecipient (Area Agency on Aging (AAA)). Also, it appears the program director is judgmentally determining the amount disbursed to each subrecipient without a methodology that complies with Treasury Subpart B.

**Status:** Not corrected. There are now written procedures which went into effect July 1, 2005. Internal written procedures are located at Aging Services Division. Online policy is Oklahoma Administrative Code #340: 105-10-114 revised November 8, 2005.

**Finding No:** 04-830-008

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** During testing of TANF eligibility, the Department was unable to provide TANF recipient detail data to support the Citibank authorizations for SFY 2004.

**Status:** Corrected.

**Finding No:** 04-830-010

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** Discrepancies between data exchange information and OKDHS records were not cleared within the allowable 30 days per OKDHS policy

**Status:** Not corrected. The lack of compliance of clearance of GIDX discrepancies has remained an issue within the Field Operations Division throughout the year. The lack of discrepancy clearances has been discussed at Human Service Center meetings as well as Family Support Field Liaison meetings. Most recently, an email was sent to all Area Directors. Larry Johnson, new Division Director for the Field Operations Director, and Mary Stalnaker, Family Support Services Division Director, will discuss this topic at the next Human Services Center meeting. We anticipate the report produced by Family Support Services, Management Reports unit, will be monitored much more closely. Further, utilization of the summary of overdue discrepancies by Area, county, supervisor, and worker will be scrutinized and utilized much more this coming year.

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**Finding No:** 04-830-013

**CFDA:** 93.658

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** Of the twenty-two (22) foster care providers in Area 6 selected for testing, we were unable to determine the eligibility of one (1) provider because the foster care provider case file could not be located for review.

**Status:** Corrected.

**Finding No:** 04-830-014

**CFDA:** 93.575, 93.596

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Finding Summary:** While testing case files, we noted files that did not contain an application for all or a portion of the period in which daycare services were received. In addition, we noted one case file did not contain a Form ADM-123 – Certification for Special Needs Child Care Rate.

**Status:** Corrected.

**Finding No:** 04-830-017

**CFDA:** 93.558

**Federal Agency:** Department of Health and Human Services

**Control Category:** Reporting

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

**Status:** Not corrected. Data runs to verify expenditures by eligibility (client) type. We will work to correct this error for SFY 05 & SFY 04. The primary adjustment should occur between grant years with an adjustment to grant balances being made.

**Finding No:** 04-830-019

**CFDA:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Questioned Costs:** \$1,640

**Finding Summary:** From the Area 6 case files, we noted the following: case files that did not contain an application for the time period in which the benefit was received; case files that could not be located; and case files where the individual was pre-authorized to receive LIHEAP benefits; however, no pre-authorization letter (37-K) was sent to the individual. Additionally, based on review of cases from the “Cases Selected to Receive LIHEAP 37-K” report, it appears no pre-authorization letters were sent to any of the individuals.

**Status:** Not corrected. County staff will be reminded of the importance of filing all applications in the appropriate case file in next fall’s LIHEAP training.

**Finding No:** 04-830-026

**CFDA:** 10.550

**Federal Agency:** Department of Agriculture

**Control Category:** Special Tests – Reconciliation Process

**Finding Summary:** Based on testwork of CDU recipient agency files, we noted recipient agency files that did not contain a copy of the processors Bill of Lading which shows how much processed commodities was delivered to the recipient agency.

**Status:** Corrected.

**Finding No:** 04-830-032

**CFDA:** 93.568

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility/Activities Allowed or Unallowed/Reporting

**Questioned Costs:** \$8,864

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**Finding Summary:** During analytical procedure testing, we noted the following: cases that appeared to have received the incorrect payment amount or received benefits when their household income was greater than the allowable rate; cases that appeared to have received duplicate payments; cooling recipients appeared to have received payments for natural gas; and cooling recipients appeared to have received payments for firewood.

**Status:** Not corrected. The reporting discrepancy will be corrected by modifying the 105E program to update the household size in the case segment and modifying the EN600SPS report using the household size of the authorization segment. A computer system edit will be in place before this year's summer cooling to prevent cooling authorizations for natural gas, wood, or propane.

**Finding No:** 04-830-033

**CFDA:** 93.767, 93.778

**Federal Agency:** Department of Health and Human Services

**Control Category:** Eligibility

**Questioned Costs:** \$42,971

**Finding Summary:** During testwork of recipient case files (MAP and SCHIP), we noted an application was not included in seven (7) of the recipient case files, and the monthly income recorded on the application was in excess of the monthly income standard for one (1) of the recipients.

**Status:** Corrected.

### Department of Mental Health and Substance Abuse Services

**Finding No:** 02-452-003

**CFDA:** 93.959

**Federal Agencies:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions-Independent Peer Reviews

**Finding Summary:** The Department did not appear to have policies or procedures addressing independent peer reviews. In addition, several of the documents considered independent peer reviews did not include the areas of review required by 45 CFR Section 96.136(d).

**Status:** Corrected

**Finding No:** 02-452-004

**CFDA:** 93.959

**Federal Agencies:** Department of Health and Human Services

**Control Category:** Subrecipient Monitoring

**Finding Summary:** We noted the Department's policies and procedures do not address the procedures to be performed during the monitoring process.

**Status:** Corrected

**Finding No:** 02-452-005

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Subrecipient Monitoring

**Finding Summary:** We noted three subrecipients had failed to submit an audit report to the Department. In addition, Department policy identifies the criteria used to determine the type of audit required by a subrecipient. We noted four subrecipients were required to have an agreed-upon procedure engagement. However, no procedures were performed because the Department has not yet developed the agreed-upon procedure protocol.

**Status:** Corrected

**Finding No:** 02-452-008

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** During site visits to six mental health facilities, we noted instances where documentation in client files did not agree to the amount billed by the facilities.

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**Status:** Corrected

**Finding No:** 02-452-009, 04-452-006

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** Procedures are not in place to monitor unauthorized access to data and/or programs for the ICIS/Fee For Service applications.

**Status:** Not Corrected, see management response to current year finding 05-452-002IT

**Finding No:** 02-452-012, 04-452-007IT

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** Policies and procedures do not exist for developer and support services access rights and responsibilities, and remote access assignment, control and monitoring.

**Status:** Not Corrected, see management response to current year finding 05-452-003IT

**Finding No:** 02-452-015, 04-452-008IT

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** Service providers input their client services into the ICIS system through the Department's website. This website has not been tested for common vulnerabilities and may allow access by unauthorized users.

**Status:** Not Corrected, see management response to current year finding 05-452-004IT

**Finding No:** 03-452-001, 04-452-009IT

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** The Department does not have an IT strategic plan available for review. In addition, the Department does not have an IT steering committee to plan and direct the IT function or a quality assurance program to adequately review projects to ensure user requirements and agency standards are met.

**Status:** Not Corrected

- IT Strategic Plan update is in progress.
- IT Steering Committee organization and duties are begin defined.
- Quality Assurance unit organization and duties are in initial discussion phase.
- Review of current staffing levels complete, priorities have been established and projects are being completed within desired time frames.

Expected Completion Date: January 1, 2006.

**Finding No:** 03-452-002, 04-452-010IT

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Other

**Finding Summary:** The Integrated Client Information System does not have a separate development, testing, and production environment.

**Status:** Not Corrected

- Hardware and software has been purchased and installed.
- Existing programs and procedures are being modified for the test system access.
- Controls have been implemented to insure passwords are changed periodically.

Expected Completion Date: January 1, 2006.

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**Finding No:** 03-452-006, 04-452-001

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Subrecipient Monitoring

**Finding Summary:** Facilities receiving SAPT block grant funds have not received site-visits during fiscal year 2003. In addition, there are no written policy and procedures for monitoring prevention subrecipients.

**Status:** Partially Corrected, policies and procedures regarding the monitoring of prevention subrecipients have been written. However, minimal site visits in SFY 2005 were performed due to lack of staff.

**Finding No:** 03-452-007, 04-452-004

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Special Tests and Provisions-Independent Peer Review

**Finding Summary:** The Department has no assurance the peer reviews they are using to meet the five percent requirement are independent ore representative of the population. Additionally, because the Department has not developed any procedures, they have no assurance the peer reviewers are employing appropriate tests to complete the reviews.

**Status:** Corrected

**Finding No:** 03-452-008, 04-452-013

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** Subrecipients are not required to submit documentation that supports the activities charged on the prevention invoices. They enter units of time, which are paid at a specified dollar amount per unit, into the ICIS system. However, the prevention expenditures are not direct services provided to a client. Additionally, supporting documentation for services billed on the ICIS system did not appear to be in "narrative" form.

**Status:** Corrected

**Finding No:** 03-452-009, 04-452-002

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Subrecipient Monitoring

**Finding Summary:** Instances were noted where subrecipient's audit reports were not received, or if received, not received timely, and instances where audits submitted had not been reviewed by the Department timely.

**Status:** Corrected

**Finding No:** 04-452-012

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$324

**Finding Summary:** We noted instances of inadequate medical documentation while reviewing progress notes and other documentation to support 19 services totaling \$8,006 billed to DMHSAS by one substance abuse treatment facility.

**Status:** Corrected

**Finding No:** 04-452-014

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Questioned Costs:** \$2,536

## Summary Schedule of Prior Findings

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**Finding Summary:** While reviewing four prevention facilities' supporting documentation for a sample of services billed on the ICIS system we noted 1 instance (2 charges) in which the provider was paid for overlapping hours on the same day, 5 instances in which documentation was provided to support charges billed; however, the documentation did not provide enough detail to ensure the services were prevention related, and 3 instances in which the documentation provided did not appear to support the services were for prevention services.

**Status:** Not Corrected, the department will send letters to providers notifying them of audit findings and recommendations and requesting refund of the questioned costs.

**Finding No:** 04-452-015

**CFDA:** 93.959

**Federal Agency:** Department of Health and Human Services

**Control Category:** Activities Allowed or Unallowed

**Finding Summary:** We selected a sample of eighty-one (81) employees whose payroll costs were charged to the SAPT Block Grant. Fourteen (14) of these employees payroll costs were indirectly (less than 100%) charged to the SAPT Block Grant, while the remaining sixty-seven (67) employees' payroll were charged directly (100%) to the grant.

**Status:** Corrected

### Department Of Rehabilitation Services

**Finding No's:** 00-805-005, 01-805-001, 02-805-001, 03-805-001, 04-805-009

**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, see current year finding 05-805-002.

**Finding No:** 03-805-002, 04-805-010

**CFDA:** 96.001

**Federal Agency:** Social Security Administration

**Control Category:** Cash Management

**Finding Summary:** The Department was unable to provide documentation to support that they were drawing for immediate cash needs.

**Status:** Corrected.

**Finding No:** 03-805-005, 04-805-007

**CFDA:** 96.001

**Federal Agency:** Social Security Administration

**Control Category:** Reporting

**Finding Summary:** We noted the hours reported on the SSA-4514 report were misstated.

**Status:** Corrected.

**Finding No:** 04-805-008

**CFDA:** 84.126

**Federal Agency:** U.S. Department of Education

**Control Category:** Allowable Costs/Cost Principles

**Finding Summary:** While testing the base amount (direct costs) used to calculate the indirect cost reported for the Vocational Rehabilitation Grants to States program we noted the Department included \$2,749,756 in costs not directly related to the program in the base amount. These items resulted in an overstatement of \$151,236 on the Schedule of Expenditures of Federal Awards.

**Status:** Corrected.

## Summary Schedule of Prior Findings

---

**Finding No:** 04-805-012

**CFDA:** 84.126

**Federal Agency:** Department of Education

**Control Category:** Activities Allowed / Reporting

**Finding Summary:** During testing of the Department of Rehabilitation Services financial statements, Management was unable to provide use with complete detailed data for fund 35X (Client Services) or Payroll to support the amounts used when preparing the financial statements.

**Status:** Partially corrected, see current year finding 05-805-004. This finding focused on the Agency's inability to provide electronic data files that supported the financial statements. Some of the systems that are utilized do not allow for the adjustments to be posted. Adjustments are documented manually during the formal reconciliation. The reconciliations of fiscal activity aren't always reflected in the same electronic format as the original transaction. Agency staff has worked to produce more and better data files to meet such requests.

### Department Of Transportation

**Finding No:** 00-345-1IS

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Information Systems

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

**Status:** Corrected

**Finding No:** 00-345-2IS, 01-345-037, 04-345-009IT

**CFDA:** 20.205

**Federal Agency:** 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:** Corrected

**Finding No:** 01-345-025, 02-345-035, 03-345-049, 04-345-020

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Other

**Finding Summary:** The Department is not closing projects within one year of construction completion.

**Status:** Not corrected. See management response to current year finding 05-345-010.

**Finding No:** 01-345-038

**CFDA:** 20.205

**Federal Agency:** 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:** Corrected

## Summary Schedule of Prior Findings

---

**Finding No:** 02-345-014, 03-345-002, 04-345-004IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Other

**Finding Summary:** 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. Implemented changes are not reviewed, approved or verified by management via the system. In addition, the current process does not verify that only authorized changes are made to data and program files. Changes made to files are also not matched back to a request.

**Status:** Corrected

**Finding No:** 02-345-023, 03-345-004, 04-345-013IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Other

**Finding Summary:** The Department lacks segregation of duties within the change control process for the Financial Management System and Project Funding System. Programmers have access to production libraries and data. In addition, there is no reporting and review of unauthorized attempts to access data.

**Status:** Corrected

**Finding No:** 02-345-038, 03-345-045, 04-345-001

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Davis-Bacon Act

**Finding Summary:** Of the projects tested, not all of the files contained documentation that ten percent of employees were interviewed during the course of the project as required by the Control Directive.

**Status:** Corrected

**Finding No:** 03-345-007, 04-345-006IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Other

**Finding Summary:** Controls over passwords on the mainframe and Oracle RDBMS are not adequate to ensure user passwords remain safe and secure.

**Status:** Corrected

**Finding No:** 03-345-014, 04-345-007IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Other

**Finding Summary:** Various security risks were noted regarding the Trns\*port system.

**Status:** Corrected

**Finding No:** 03-345-017, 04-345-008IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Other

**Finding Summary:** Review of the process to transfer data from the Financial Management System to the Project Funding System and subsequent creation of the weekly billing to FHWA found the procedures inadequate in ensuring the transfer was complete.

**Status:** Not corrected. See management response to current year finding 05-345-006IT.

**Finding No:** 03-345-018, 04-345-010IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

## Summary Schedule of Prior Findings

---

**Control Category:** Other

**Finding Summary:** There is no documented, approved, and tested disaster recovery plan or no alternative processing procedures to ensure the continuance of state business in the event of a disaster.

**Status:** Not corrected. See management response to current year finding 05-345-005IT.

**Finding No:** 03-345-021, 04-345-012IT

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Other

**Finding Summary:** End users within the Comptroller Division have direct access to change/modify production reporting through TSO. This ability jeopardizes the integrity of financial information.

**Status:** Not corrected. See management response to current year finding 05-345-007IT.

**Finding No:** 04-345-018

**CFDA:** 20.205

**Federal Agency:** Department of Transportation

**Control Category:** Procurement and Suspension and Debarment

**Finding Summary:** During testwork on 61 Project files, we noted that eight, or 13 percent, did not contain the required newspaper advertisement, which serves as public notification. Further, upon request, the documentation could not be obtained from ODOT personnel.

**Status:** Partially corrected. See management response to current year finding 05-345-001.

### Department Of Veterans Affairs

**Finding No:** 02-650-001, 03-650-003

**CFDA:** 64.005

**Federal Agency:** Department of Veterans Affairs

**Control Category:** Davis-Bacon Act

**Finding Summary:** During our evaluation of 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.

**Status:** Corrected.

**Finding No:** 03-650-002, 04-650-004

**CFDA:** 64.005

**Federal Agency:** Department of Veterans Affairs

**Control Category:** Reporting

**Finding Summary:** During testing of the SF-271 Report, we noted expenditures reported outside of the specified "time period covered." The expenditures were included in the reimbursement calculation.

**Status:** Corrected.

**Finding No:** 04-650-003

**CFDA:** 64.005

**Federal Agency:** Department of Veterans Affairs

**Control Category:** Davis-Bacon Act

**Finding Summary:** During testing of contractor and subcontractors' certified weekly payrolls for projects FAI #40-016, FAI #40-020, and #40-023, from July 1, 2003 through June 30, 2004, the exact time of submission to the Department of Veterans Affairs either could not be determined or if determined, the payrolls were not submitted within the time period required.

**Status:** Corrected.

**Finding No:** 04-650-007

**CFDA:** 64.005

**Federal Agency:** Department of Veterans Affairs

## **Summary Schedule of Prior Findings**

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**Control Category:** Davis-Bacon Act

**Finding Summary:** General Contractors and subcontractors contracts for projects FAI #40-020 and #40-023, as well as the General Contractor agreement for FAI #40-016, did not contain the requisite contractual language as set forth in 29 CFR § 5.5 (a)(3)(ii)(A).

**Status:** Corrected.

**Finding No:** 04-650-008

**CFDA:** 64.005

**Federal Agency:** Department of Veterans Affairs

**Control Category:** Davis-Bacon Act

**Finding Summary:** During testing of contractor and subcontractors weekly payrolls from July 1, 2003 through June 30, 2004, we noted instances where laborers' classification on the weekly payrolls were not listed in the Secretary of Labor's computed wage rate determination, and laborers' classifications were omitted on the weekly payrolls. We also noted instances where the wage determination of the Secretary of Labor was not attached to the subcontracts.

**Status:** Corrected.

## **Schedule of Federal Programs by State Agency**

**Schedule of Federal Programs by State Agency**

# Schedule of Federal Programs by State Agency

## Attorney General

93.775 State Medicaid Fraud Control Units

## Agriculture, Department of

10.025 Plant and Animal Disease, Pest Control, and Animal Care  
10.156 Federal - State Marketing Improvement Program  
10.163 Market Protection and Promotion  
10.443 Small Farmer Outreach Training and Technical Assistance  
10.450 Crop Insurance  
10.475 Cooperative Agreements with States for Intrastate Meat and Poultry Inspection  
10.664 Cooperative Forestry Assistance  
10.672 Rural Development, Forestry and Communities  
10.677 Cooperative Forest Land Enhancement Program  
66.608 Environmental Info Exchange Network  
66.700 Consolidated Pesticide Enforcement Cooperative Agreements  
66.709 Capacity Building Grants/Coop agree for States/Tribes  
66.716 Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach  
93.103 Food and Drug Administration - Research

## Boll Weevil Eradication

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

## Career and Technology Education, Department of

12.002 Procurement Technical Assistance For Business Firms  
12.902 Information Security Grant Program  
17.261 Employment Services and Job Training - Pilot and Demonstration Programs  
59.000 Congressions - Special Initiative  
84.048 Vocational Education-Basic Grants to States  
84.243 Tech-Prep Education  
84.255 Literacy Programs for Prisoners  
84.346 Occupational and Employment Information State Grants

## Center for Advancement of Science/Technology

59.005 Business Development Assistance to Small Business  
93.988 Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems

## Central Services, Department of

39.003 Donation of Federal Surplus Personal Property

## Emergency Management, Department of

20.703 Interagency Hazardous Materials Public Sector Training and Planning Grants  
83.562 State and Local All Hazards Emergency Planning  
83.583 Emergency Operations Center Initiative  
83.584 Supp - Citizen Corporation  
83.999 Homeland Security - Pre-Disaster Mitigation  
97.023 Community Assistance Program State Support Services Element (CAP-SSSE)  
97.036 Disaster Grants - Public Assistance Grants (Presidentially Declared Disasters)  
97.039 Hazard Mitigation Grant  
97.042 Emergency Management Performance Grants  
97.047 Pre Disaster Mitigation  
97.053 Citizen Corps

## Commerce, Department of

14.228 Community Development Block Grants/State's Program  
14.231 Emergency Shelter Grant Program  
14.235 Supporting Housing Program  
14.238 Shelter Plus Care  
45.312 National Leadership Grants  
66.461 Regional Wetland Program Development Grants  
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  
93.569 Community Services Block Grant  
93.570 Community Services Block Grant - Discretionary Awards  
93.571 Community Services Block Grant Formula and Discretionary Awards-Community Food and Nutrition  
93.600 Head Start

## Conservation Commission

10.902 Soil and Water Conservation  
15.252 Abandoned Mine Land Reclamation (AMLR) Program

## Corporation Commission

20.700 Pipeline Safety  
66.433 State Underground Water Source Protection  
66.804 State and Tribal Underground Storage Tanks Program  
66.805 Leaking Underground Storage Tank Trust Fund Program

# Schedule of Federal Programs by State Agency

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## Corrections, Department of

16.202 Offender Reentry Program  
16.203 Sex Offender Management Discretionary Grant  
16.586 Violent Offender Incarceration and Truth in Sentencing Incentive Grants  
16.606 State Criminal Alien Assistance Program  
84.255 Literacy Programs for Prisoners  
84.331 Grants to States for Incarcerated Youth Offenders

## District Attorneys Council

16.554 National Criminal History Improvement Program (NCHIP)  
16.560 National Institute of Justice Research, Evaluation and Development Project Grants  
16.575 Crime Victim Assistance  
16.576 Crime Victim Compensation  
16.579 Byrne Formula Grant Program  
16.588 Violence Against Women Formula Grants  
16.592 Local Law Enforcement Block Grants Program  
16.593 Residential Substance Abuse Treatment for State Prisoners  
16.609 Community Prosecution and Project Safe Neighborhoods

## Education, Department of

10.553 School Breakfast Program  
10.555 National School Lunch Program  
10.556 Special Milk Program for Children  
10.558 Child and Adult Care Food Program  
10.559 Summer Food Service Program for Children  
10.560 State Administrative Expenses for Child Nutrition  
- Other Federal Assistance - Troops to 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  
84.162 Immigrant Education  
84.173 Special Education-Preschool Grants  
84.181 Special Education-Grants for Infants and Families with Disabilities  
84.184 Safe and Drug-Free Schools and Communities - National Programs  
84.185 Byrd Honors Scholarships  
84.186 Safe and Drug-Free Schools and Communities - State Grants  
84.196 Education for Homeless Children and Youth  
84.213 Even Start - State Educational Agencies  
84.215 Fund for the Improvement of Education  
84.281 Eisenhower Professional Development State Grants  
84.282 Charter Schools  
84.287 Twenty-First Century Community Learning Centers  
84.298 State Grants Innovative Programs  
84.318 Education Technology State Grants  
84.323 Special Education - State Personnel Improvement  
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  
84.357 Reading First State Grants  
84.358 Rural Education  
84.365 English Language Acquisition Grants  
84.366 Math and Science Partnerships  
84.367 Improving Teacher Quality Grants  
84.368 Grants for Enhanced Assessment Instruments  
84.369 State Assessments and Related Activities  
93.576 Refugee and Entrant Assistance - Discretionary Grants  
93.938 Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV  
94.005 Learn and Serve America - Higher Education  
94.013 Volunteers in Service to America

## Election Board, State

39.011 Election Reform Payments

# Schedule of Federal Programs by State Agency

## Employment Security Commission

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  
17.258 Workforce Investment Act - Adults  
17.259 Workforce Investment Act - Youth  
17.260 Workforce Investment Act - Dislocated Workers  
17.266 Work Incentive  
17.267 State Utilization of WIA Section 503 Incentive Grants to States  
17.801 Disabled Veterans' Outreach Program (DVOP)  
17.804 Local Veterans' Employment Representative Program

## Environmental Quality, Department of

10.922 Land Reclamation - Oklahoma Plan  
12.113 State Memorandum of Agreement Program for the Reimbursement of Technical Services  
14.218 Community Development Block Grants/Entitlement Grants  
15.616 Clean Vessel Act  
66.034 Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act  
66.468 Capitalization Grants for Drinking Water State Revolving Fund  
66.471 Systems for Training and Certification Costs  
66.474 Water Protection Grants to the States  
66.605 Performance Partnership Grants  
66.606 Surveys, Studies, Investigations and Special Purpose Grants  
66.608 Environmental Information Exchange Network Grant Program and Related Assistance  
66.708 Pollution Prevention Grants Program  
66.709 Multi-Media Capacity Building Grants for States and Tribes  
66.802 Superfund State Site - Specific Cooperative Agreements  
66.817 Brownsfields - State and Tribal Response Program

## Health, Department of

- Other Federal Assistance - X-Ray Inspections  
- Other Federal Assistance - Clinical Laboratory Improvement Amendments  
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children  
66.609 Protection of Children and Older Adults (Elderly) from Environmental Health Risks  
84.186 Safe and Drug-Free Schools and Communities - State Grants  
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  
93.161 Health Programs for Toxic Substances and Disease Registry  
93.197 Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance  
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  
93.251 Newborn Hearing Screening  
93.259 Rural Access to Emergency Devices Grant  
93.268 Immunization Grants  
93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance  
93.590 Community Based Child Abuse Prevention Grants  
93.773 Medicare - Hospital Insurance  
93.889 National Bioterrorism Hospital Preparedness Program  
93.917 HIV Care Formula Grants  
93.940 HIV Prevention Activities - Health Department Based  
93.944 Human Immunodeficiency Virus (HIV) - Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance  
93.945 Assistance Programs for Chronic Disease Prevention and Control  
93.952 Trauma Care Systems Planning and Development  
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  
45.149 Promotion of the Humanities - Division of Preservation and Access

## Human Rights Commission

14.401 Fair Housing Assistance Program - State and Local  
30.002 Employment Discrimination - State and Local Fair Employment Practices Agency Contracts

# Schedule of Federal Programs by State Agency

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## 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)  
20.513 Capital Assistance Program for Elderly Persons and Persons with Disabilities  
93.041 Special Programs for the Aging - Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation  
93.042 Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals  
93.043 Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services  
93.044 Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers  
93.045 Special Programs for the Aging - Title III, Part C-Nutrition Services  
93.051 Alzheimer's Disease Demonstration Grants to States  
93.052 Nation Family Caregiver Support Program  
93.053 Nutrition Services Incentive 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  
93.576 Refugee and Entrant Assistance - Discretionary Grants  
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund  
93.597 Grants to States for Access and Visitation Programs  
93.599 Chafee Education and Training Vouchers Program  
93.603 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 Chafee Foster Care Independence Program  
93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations  
94.011 Foster Grandparent Program

## Insurance, Department

93.048 Special Programs for the Aging - Title IV and Title II - Discretionary Projects  
93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations

## JD McCarty Center

10.855 Distance Learning and Telemedicine Loans and Grants

## Labor, Department of

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

## Legislative Service Bureau

16.550 State Justice Statistics Program for Statistical Analysis Centers  
16.609 Community Prosecution and Project Safe Neighborhoods

## Libraries, Department of

45.310 State Library Program  
89.003 National Historical Publications and Records Grants

## Mental Health and Substance Abuse, Department of

14.235 Supportive Housing Program  
14.238 Shelter Plus Care  
16.580 Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program  
- Other Federal Assistance - Alcohol and Drug Data Collection Information Systems  
93.104 Children with Serious Emotional Disturbances  
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  
93.243 Substance Abuse and Mental Health Services - Projects of Regional and National Significance  
93.592 Family Violence Prevention and Services/Grants for Battered Women's Shelters - Discretionary Grants  
93.671 Family Violence Prevention and Services/Grants for Battered Women's Shelters-Grants to States and Indian Tribes  
93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations  
93.958 Block Grants for Community Mental Health Services  
93.959 Block Grants for Prevention and Treatment of Substance Abuse

# Schedule of Federal Programs by State Agency

## Military Department

12.400 Cost Reimbursement Contract - Military Construction, National Guard  
12.401 Cost Reimbursement Contract - National Guard Military Operations and Maintenance (O&M) Projects  
12.404 Cost Reimbursement Contract - National Guard Civilian Youth Opportunities  
17.261 Employment and Training Administrative Pilots, Demonstration and Research Projects

## 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

- Other Federal Assistance - Marijuana Eradication Suppression Program  
16.579 Byrne Formula Grant Program

## Office of Handicapped Concerns

84.161 Rehabilitation Services - Client Assistance Program

## Office of Juvenile Affairs

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

## Oklahoma Aeronautics Commission

20.106 Airport Improvement Program

## Oklahoma Health Care Authority

93.256 State Planning Grant - Health Care Access for Uninsured  
93.767 State Children's Insurance Program  
93.768 Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities  
93.777 State Survey and Certification of Health Care Providers and Suppliers  
93.778 Medical Assistance Program  
93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations, and Evaluations

## Public Safety, Department of

16.007 State Domestic Preparedness Equipment Support Program  
16.710 Public Safety Partnership and Community Policing Grants  
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

20.514 Transit Planning and Research  
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  
84.235 Rehabilitation Services Demonstration and Training Programs  
84.265 Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training  
96.001 Social Security - Disability Insurance  
96.007 Social Security - Research and Demonstration

## 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 Part D - Research, Evaluation, Technical Assistance and Training  
16.564 Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction  
16.710 Public Safety Partnership and Community Policing Grants

## State of Oklahoma

21.999 Jobs and Growth Tax Relief Fund Grant

## Supreme Court

93.586 State Court Improvement Program

# Schedule of Federal Programs by State Agency

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## Tourism & Recreation, Department of

15.503 Small Reclamation Projects  
15.916 Outdoor Recreation - Acquisition, Development and Planning  
20.219 Recreational Trails Program

## Transportation, Department of

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  
64.015 Veterans State Nursing Home Care  
64.124 All-Volunteer Force Educational Assistance

## Water Resources Board

12.300 Basic and Applied Scientific Research  
15.504 Reclamation and Water Reuse Programs  
15.616 Clean Vessel Act

## Water Resources Board

66.419 Water Pollution Control State and Interstate Program Support  
66.436 Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements  
66.454 Water Quality Management Planning  
66.458 CAP Grants Clean Water State Revolving Fund  
66.460 Nonpoint Source Implementation Grants  
66.461 Regional Wetland Program - Development Grants  
66.463 National Pollutant Discharge Elimination System Related State Program Grants  
66.606 Surveys, Studies, Investigations and Special Purpose Grants  
97.041 National Dam Safety Program

## Wildlife, Department of

10.025 National Urban Search and Rescue (US&R) Response System  
15.504 Reclamation and Water Reuse Programs  
15.605 Sport Fish Restoration  
15.611 Wildlife Restoration  
15.615 Cooperative Endangered Species Conservation Fund  
15.625 Wildlife Conservation and Restoration  
15.626 Hunter Education and Safety Program  
15.633 Land Owners Incentive Program  
15.634 State Wildlife Grants

**Selected Activities for Internal Service Type Funds**

**Selected Activities for Internal Service Type Funds**

## Selected Activities for Internal Service Type Funds

UNAUDITED

### Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2005

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
Total Revenues	\$ 6,221,675	\$ 48,687,359	\$ 22,381,255	\$ 39,420,518	\$ 116,710,807
Total Expenditures	6,058,374	61,086,111	20,778,987	58,099,105	146,022,577
Revenues Over (Under) Expenditures	163,301	(12,398,752)	1,602,268	(18,678,587)	(29,311,770)
Other Financing Sources (Uses)					
Operating Transfers In	-	-	-	982,010	982,010
Operating Transfers Out	-	-	-	-	-
Bond Proceeds	-	153,975,000	-	-	153,975,000
Premium from Bond Issue	-	8,496,717	-	-	8,496,717
Discount on Bond Issue	-	(421,258)	-	-	(421,258)
Bond Refunding	-	(118,318,526)	-	-	(118,318,526)
Total Other Financing Sources (Uses)	-	43,731,933	-	982,010	44,713,943
Revenues and Other Sources Over (Under) Expenditures and Other Uses	163,301	31,333,181	1,602,268	(17,696,577)	15,402,173
Fund Balances - Beginning of Year	7,498,245	130,253,452	10,519,125	44,608,330	192,879,152
Fund Balances - End of Year	\$ 7,661,546	\$ 161,586,633	\$ 12,121,393	\$ 26,911,753	\$ 208,281,325

# Selected Activities for Internal Service Type Funds

## UNAUDITED

### Selected Activities for Internal Service Type Funds For the Year Ended June 30, 2005

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services	Total
June 30, 2004					
Ending Fund Balance	\$ 7,498,245	\$ 130,253,452	\$ 10,519,125	\$ 44,608,330	\$ 192,879,152
July 1, 2004					
Beginning Fund Balance	\$ 7,498,245	\$ 130,253,452	\$ 10,519,125	\$ 44,608,330	\$ 192,879,152
Cash Basis Data -					
FY 2005 Revenues	\$ 6,221,675	\$ 48,687,359	\$ 22,381,255	\$ 39,420,518	\$ 116,710,807
FY 2005 Expenditures	6,058,374	61,086,111	20,778,987	58,099,105	146,022,577
FY 2004 Revenues	\$ 6,681,226	\$ 34,588,139	\$ 16,696,278	\$ 43,158,953	\$ 101,124,596
FY 2004 Expenditures	5,376,259	93,923,582	19,092,697	16,974,235	135,366,773
FY 2003 Revenues	\$ 7,958,873	\$ 105,418,792	\$ 18,799,319	\$ 33,638,353	\$ 165,815,337
FY 2003 Expenditures	6,484,542	133,962,684	18,641,469	28,438,516	187,527,211
FY 2002 Revenues	\$ 6,655,452	\$ 100,839,257	\$ 21,109,749	\$ 31,227,073	\$ 116,710,807
FY 2002 Expenditures	7,142,155	206,866,678	15,710,229	22,895,889	146,022,577
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

## Selected Activities for Internal Service Type Funds

UNAUDITED

Selected Activities for Internal Service Type Funds  
For the Year Ended June 30, 2005

### Trend Analysis

	Office of State Finance Centrex	Capitol Improvement Authority	Department of Corrections - Oklahoma Correctional Industries	Department of Central Services
Comparison of FY 2005 Revenue to Prior Years'				
FY04	93.12%	140.76%	134.05%	91.34%
FY03	78.17%	46.18%	119.05%	117.19%
FY02	93.48%	48.28%	106.02%	126.24%
FY01	89.48%	12.63%	119.13%	147.49%
FY00	87.77%	11.76%	105.36%	160.02%
Comparison of FY 2005 Expenditures to Prior Years'				
FY04	112.69%	65.04%	108.83%	342.28%
FY03	93.43%	45.60%	111.47%	204.30%
FY02	84.83%	29.53%	132.26%	253.75%
FY01	93.02%	16.29%	126.69%	253.43%
FY00	115.90%	13.57%	130.67%	267.44%
Revenues expressed as a percent of expenditures				
FY05	102.70%	79.70%	107.71%	67.85%
FY04	124.27%	36.83%	87.45%	254.26%
FY03	122.74%	78.69%	100.85%	118.28%
FY02	93.19%	48.75%	134.37%	136.39%
FY01	106.76%	102.79%	114.54%	116.59%
FY00	135.62%	91.97%	133.58%	113.40%
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%

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## **Other Findings**

## **Other Findings**

This section contains audit findings not required to be reported in accordance with *Government Auditing Standards* or OMB Circular A-133. However, we believe these findings are significant enough to bring to management's attention.

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### Department of Education

**REF NO:** 05-265-007

**STATE AGENCY:** Oklahoma State Department of Education

**FEDERAL AGENCY:** United States Department of Education

**CFDA NO:** 84.357

**FEDERAL PROGRAM NAME:** Reading First State Grants

**FEDERAL AWARD NUMBER:** S010A030036A

**FEDERAL AWARD YEAR:** 2002

**CONTROL CATEGORY:** Earmarking

**QUESTIONED COSTS:** \$0

**Criteria:** OMB Circular A-133 Compliance Supplement, Reading First, Part G. 3. Earmarking, states in part, "SEAs may not spend more than a total of 20 percent for professional inservice and preservice development and review; technical assistance for LEAs and schools; and planning, administration and reporting (20 USC 6362(d)(2))."

- (1) From this amount, a SEA may not spend more than:
  - (a) 65 percent on professional inservice and preservice development and review (20 USC 6362(d)(3)).
  - (b) 25 percent for technical assistance for LEAs and schools (20 USC 6362(d)(4)).
  - (c) 10 percent for planning, administration and reporting (20 USC 6362(d)(5))."

**Condition:** During testwork for the 2003 grant, we noted the following:

- Total SEA expenditures of \$2,725,920.04 exceeded the 20% maximum amount of \$2,590,671.00 by \$135,249.04 (prior to adjustments for Technical Assistance and Administration).
- Expenditures for Technical Assistance of \$725,979.60 exceeded the 25% maximum amount of \$647,667.00 by \$78,311.85. Adjustments totaling \$78,311.85 were later made by charging the cost to the correct category or charging the expense to the 2004 grant.
- Expenditures for Administrative of \$336,728.87 exceeded the 10% maximum amount of \$259,067.10 by \$79,661.77. Adjustments totaling \$79,661.77 were later made by charging the cost to the correct category or charging the expense to the 2004 grant.

**Effect:** The Department may be exceeding the maximum amount of funds available for each program. In addition, funds earmarked for a specific program may be paid for a different program and funds may be paid outside the period of availability.

**Recommendation:** It is recommended the Department adhere to the compliance requirements of the program by properly coding expenditures to the correct program codes to reduce the risk of exceeding the maximum limits and to use funds only during the period of availability.

#### **Views of Responsible Official(s)**

**Contact Person:** Vonna Anderson

**Anticipated Completion Date:** June 30, 2006

**Corrective Action Planned:** Will check encumbrance coding more closely in order to prevent miscoding of claims. Will continue to check encumbrance/invoice dates to ensure that funds are obligated during the period of availability and expended before the lapse date of the funds.

## Other Findings

This section contains audit findings not required to be reported in accordance with *Government Auditing Standards* or OMB Circular A-133. However, we believe these findings are significant enough to bring to management's attention.

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### Department of Human Services

**REF NO:** 05-830-017

**STATE AGENCY:** Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.563

**FEDERAL PROGRAM NAME:** Child Support Enforcement

**FEDERAL AWARD NUMBER:** G0504OK4004

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Activities Allowed or Unallowed/Allowable Costs

**QUESTIONED COSTS:** \$0

**Criteria:** The A-133 Compliance Supplement states: "The following costs and activities are unallowable pursuant to 45 CFR section 304.23: (1) Activities related to administering other titles of the Social Security Act. (2) Construction and major renovations. ..."

45 CFR Section 304.23 (c) states, "Federal financial participation at the applicable matching rate is not available for: Construction and major renovations"

Additionally, the OSF Object of Expenditure Code Listing and Definitions states, "Object Code 4621 Buildings and Other Structures -- Construction and Renovation - Payments for new construction and alterations, additions and improvements to existing buildings; including permanent, fixed equipment (e.g., heat/air conditioning unit); installation of electric wiring and erection of power transmission and telephone lines. Also, includes payments for improvement and alterations to other capital structures."

**Condition:** While performing analytical review procedures for the cost pool 339 expenditures, we noted 148 claims coded to object code 4621 (Buildings and Other Structures -- Construction and Renovation). These claims are broken down as follows:

- Location 66123 -- Furniture Purchases
- Location 66100 -- Interior Renovation
- Location 66101 -- Work station panels and work surfaces
- Location 66102 -- Work station panels and work surfaces
- Location 66111 -- Case work furniture
- Location 66073 -- Case work furniture
- Location 65966 -- County Office Relocation Expenditures

However, further detailed showed that these claims were not for Construction and Renovation, but were improperly coded as to their object code. Therefore, these claims are for allowable activities and no costs associated with these claims will be questioned.

**Effect:** The Department may not be in compliance with the above stated requirements, which may result in the allowance of unallowable construction/renovation costs. Additionally, some of the expenditures noted may not be properly classified to the correct object code based on the OSF Definitions.

**Recommendation:** We recommend the Department ensure all expenditures are being properly classified to the correct object codes and that those object codes are for allowable activities.

#### **Views of Responsible Official(s)**

**Contact Person:** Stuart Kettner, C.A.R.E. Staff

**Anticipated Completion Date:** 03/31/06

## Other Findings

This section contains audit findings not required to be reported in accordance with *Government Auditing Standards* or OMB Circular A-133. However, we believe these findings are significant enough to bring to management's attention.

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**Corrective Action Planned:** Concur with condition. After reviewing the information provided by construction, we agree that an improper object code was used to pay these invoices. The expenditures are allowable since none were for major construction or renovation. The use of this incorrect object code had no impact on our federal report. We will confer with the budget and construction unit to research a possible remedy for this problem by finding a more appropriate object code to utilize.

**REF NO:** 05-830-019

**STATE AGENCY:** Department of Human Services

**FEDERAL AGENCY:** Department of Health and Human Services

**CFDA NO:** 93.658

**FEDERAL PROGRAM NAME:** Foster Care – Title IV-E

**FEDERAL AWARD NUMBER:** 0501OK1401

**FEDERAL AWARD YEAR:** 2005

**CONTROL CATEGORY:** Eligibility

**QUESTIONED COSTS:** \$5,055

**Criteria:** According to the OMB A-133 Compliance Supplement, “Unless the child is expected to graduate from a secondary educational institution before his or her 19<sup>th</sup> birthday, eligibility ceases at the child’s 18<sup>th</sup> birthday (42 USC 672(a)).”

**Condition:** During testing procedures, we analyzed the Department’s area 1 records and determined there were six recipients over the age of eighteen receiving benefits. During review of those six case files we noted the following:

- One of the six recipients were nineteen years of age and older when they received benefits.

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

**Recommendation:** We recommend the Department ensure recipients eighteen years old or older do not receive foster care benefits unless the child is expected to graduate from a secondary educational institution before his or her 19<sup>th</sup> birthday.

### **Management’s Corrective Action Plan**

**Contact Person:** John Guin, Comptroller II, CFSD

**Anticipated Completion Date:** August 2005

**Corrective Action Planned:** Concur with audit finding. A program to terminate IV-E eligibility based on 18<sup>th</sup>/19<sup>th</sup> birthday and/or graduation dates has been moved into production.

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